EUB

AltaLink Management Ltd. and TransAlta Utilities Corporation

Transmission Tariff for
May 1, 2002 – April 30, 2004

TransAlta Utilities Corporation

Transmission Tariff for
January 21, 2002 – April 30, 2002

Compliance with Board Directions in Decision 2003-061

January 27, 2004

Alberta Energy and Utilities Board

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ALBERTA ENERGY AND UTILITIES BOARD
Decision 2004-007: AltaLink Management Ltd. and TransAlta Utilities Corporation
Transmission Tariff for May 1, 2002 – April 30, 2004
TransAlta Utilities Corporation
Transmission Tariff for January 1, 2002 – April 30, 2002
Compliance with Board Directions in Decision 2003-061
Application Nos. 1314521 and 1314520

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ALBERTA ENERGY AND UTILITIES BOARD
Calgary Alberta

Decision 2004-007

ALTALINK MANAGEMENT LTD. AND TRANSALTA UTILITIES CORPORATION – TRANSMISSION TARIFF FOR MAY 1, 2002 – APRIL 30, 2004
Application No. 1314521
File No. 2000-5

TRANSALTA UTILITIES CORPORATION TRANSMISSION TARIFF FOR JANUARY 1, 2002 - APRIL 30, 2002
Application No. 1314520
File No. 1209-3

COMPLIANCE WITH BOARD DIRECTIONS IN DECISION 2003-061

1 INTRODUCTION

On August 3, 2003, the Alberta Energy and Utilities Board (the EUB or Board) issued Decision 2003-061 regarding the 2002-2003 and 2003-2004 General Tariff Applications (GTA) of AltaLink Management Ltd. in its capacity as General Partner of AltaLink Limited Partnership (AltaLink) and TransAlta Utilities Corporation (TransAlta) herein called the Applicants. Decision 2003-061 also addressed the finalization of TransAlta's interim tariff for January 1, 2002 to April 30, 2002 (the Stub Period).

In Decision 2003-061, the Board directed the Applicants to re-file their 2002-03 and 2003-04 GTAs and Stub Period Application (Refilings) to reflect certain Board findings and determinations.

In compliance with the Board's directions in Decision 2003-061, AltaLink submitted its Refiling on September 17, 2003. TransAlta submitted its Stub Period and Withheld Assets Refilings on September 19, 2003.

By letter dated September 26, 2003, the Board advised affected parties that, if they wished to comment on the Applicants' Refilings, they should do so by October 6, 2003. Subsequently, parties requested and were granted a one-week extension for filing comments.

On October 14, 2003, the Board received submissions (Refiling Comments) from Calgary and FIRM who commented on the AltaLink and TransAlta Refilings and from AltaLink who commented on TransAlta's Stub Period Refiling.

By letter dated October 17, 2003, the Board requested additional information (IR) from the Applicants and advised parties that replies (Reply Comments) to the Refiling Comments should be filed by October 27, 2003.

The Applicants filed Reply Comments and responses to the Board IRs on October 27 and 30, 2003 and November 7, 2003. They also revised their Refilings, as they considered necessary. In Decision 2003-061, the Board also directed AltaLink to file, as soon as possible, all relevant information related to the capital structure of the four limited partners' investment, excluding the premium, in the utility partnership. AltaLink was further directed to supply the Board with

copies of the LCT (Large Corporations Tax) form, Schedule 33, filed by the three eligible partners with their respective tax returns. In compliance with these directions, AltaLink filed information on October 8, 2003.

In Addition, in Decision 2003-061, the Board directed AltaLink to collaborate with the other Transmission Facility Owners (TFO) for the purposes of forming a working group consisting of TFO stakeholder representatives to determine what would be required to develop and implement a TFO uniform system of accounts (USA) that could be used for regulatory filings. AltaLink was required to file an initial report with the Board by December 31, 2003, on the results of the working group and to provide the Board with a status report on the progress of the USA initiative. To comply with this direction, AltaLink filed a report with the Board on December 23, 2003.

This Decision will address not only the Applicants' Refiling, but also AltaLink's compliance with:

- The Board's directions regarding the filing of information relating to its owners' capital structure and LCT forms that were filed with their tax returns.
- The Board's directive regarding the establishment of a uniform system of accounts (USA) for transmission facilities owners (TFO).

For the purposes of this Decision, the Board considers that the record closed on December 23, 2003.

2 TRANSALTA STUB PERIOD REFILING

For ease of reference, the relevant Board directions in Decision 2003-061 relating to TransAlta's Stub Period Application are provided in Appendix 1 to this Decision.

2.1 Summary of TransAlta Refiling

TransAlta calculated the refund to customers to be $5.0 million, assuming that the Refiling is approved as submitted.

TransAlta noted that Board Directive 4 requires the remaining deficit of $2.4 million in the hearing cost reserve account, which was confirmed by the Board to be a customer responsibility, to be deducted from the refund amount to customers. TransAlta further noted that the Rainbow Pipeline tax case also results in a refund to customers with respect to 2001 of $4.1 million.

Accordingly, TransAlta stated that, upon Board approval of TransAlta's Stub Period Refiling, it would provide to the AESO a net amount of $6.7 million as calculated below.

Table 1. TransAlta Estimate of Total Refund for the 2002 Stub Period and Prior Years

Refund due to difference between Stub Period interim and final rates	$5.0 M
Recovery of the hearing cost reserve balance	-$2.4 M
Refund due to the Rainbow Pipeline tax credit for 2001	+$4.1 M
Total Refund due to customers	$6.7 M

2.2 Comments on TransAlta's Refiling

The Board received comments on TransAlta's Stub Period Refiling relating to the following areas:

- Rate Base
  - AFUDC
  - Rate Base Adjustment
- Income Taxes and Future Tax Liability Account Balance
- Closing Balance in the Future Tax Liability Account as at April 29, 2002
- Hearing Cost Reserve (HCR) Account
  - HCR account funding
  - HCR Account Balance as at April 29, 2002

2.2.1 Rate Base

2.2.1.1 AFUDC

TransAlta submitted that its Refiling, in respect of the return requirement, complied with the Board Directions in Decision 2003-061. TransAlta noted that the revenue requirement for the Stub Period is not affected by this concern and the refund to customers for the Stub Period included in the Refiling of TransAlta is not impacted. TransAlta noted that the reduction to the amount of AFUDC included in the income statement due to the lower approved return on equity is in the order of $40,000 for the Stub Period and would not impact Schedule 9.0, line 9 when rounded to one decimal place.

Calgary expressed concern about the calculation of the AFUDC amount in TransAlta's Refiling, noting that on line 14 of Schedule 8.0, the amount of Debt Return shown was net of AFUDC, while at line 9 on Schedule 9.0, the AFUDC was not adjusted notwithstanding the Board's decision to reduce the return on equity. Calgary submitted that these calculations did not reflect the reduction in the return on equity set by the Board in Decision 2003-061 and, as such, TransAlta's net income appeared to be overstated.

The Board agrees with TransAlta that the amount of adjustment for AFUDC that would result from the change in the rate of return on rate base is in the order of $40,000 reduction, and that this amount would have an insignificant effect on the revenue requirement for the Stub Period. Therefore, the Board considers that, due to insignificance, it is not necessary to adjust the Refiling for the effect of changes in rate of return on rate base and the resultant reduction in AFUDC.

2.2.1.2 Rate Base Adjustment

It appeared to Calgary that TransAlta did not adjust its rate base and that Schedule 7.2 was not revised to reflect the adjustment of the hearing cost reserve. Based on the foregoing discussion of tax issues, and the revised Schedule 7.2 attached to Calgary's comments, Calgary submitted that the TransAlta rate base for the stub period, January 1, 2002 to April 29, 2002 was overstated by $3.4 million.

TransAlta submitted that its Refiling reflected the rate base amount of $648,400,000 determined by the Board in Decision 2003-061, page 29 where it is stated: "Mid-year rate base shall be

$648,400,000 as shown in the Application." Therefore, TransAlta submitted that no change to the Refiling rate base should be made.

The Board determined that the mid-year rate base amount of $648.4 million adjusted by $13.6 million for no-cost capital was appropriate for determining revenue requirements for the Stub Period. As stated in Section 2.2.4, the Board agrees that the amount of $2.4 million should have been added to the funding amount of the Hearing Cost Reserve. The effect of adding the $2.4 million to the Hearing cost reserve in Schedule 5.1, and the related effect on Schedules 7.0 and 7.2 would result in a reduction in the closing balance and a commensurate change in revenue requirement in the order of $15,000 for the Stub Period, which the Board considers is insignificant.

Therefore, the Board considers that, due to insignificance, it is not necessary to adjust TransAlta's Stub Period Refiling for the effect of changes in rate base for the change in the ending balance of Hearing Cost Reserve.

2.2.2 Income Taxes & Future Liability Balance

FIRM noted that in Decision 2003-061, the Board discussed the $3.1 million reduction in income taxes and agreed that the benefit of any tax rate (from 28% to 21%) should be passed on to consumers and directed TransAlta "in its Refiling to clearly explain how this reduction was reflected in rates." It appeared to FIRM that TransAlta did not reflect this adjustment in its Refiling.

FIRM, with respect to the Rainbow type expenditures, also noted that TransAlta was directed to advise the Board whether it had refiled its tax returns for the years 1998-2000 "and to supply a schedule and process for refunding to customers any year 2000 Rainbow deduction related refund. This was in addition to any refunds for the years 2001 and 2002, which TransAlta had acknowledged should be to the benefit of customers. The Board also noted that any tax refiling would affect the opening balances of the Capital Cost Allowance pools available to AltaLink." FIRM stated that its review of the TransAlta's Refiling indicated that TransAlta had not addressed this direction of the Board.

FIRM also noted that AltaLink in its Refiling, stated "AltaLink wished to note that TransAlta has not revised the UCC closing balance in this respect."

Calgary questioned whether the deferred tax balance to be transferred to AltaLink was the appropriate amount and whether the recording of the 2001 amounts was consistent with the Board-approved settlement for 2001. Calgary noted that in Decision 2003-61, the Board indicated that the benefit of any rate change was to be passed on to customers. Calgary's review of TransAlta's Stub Period Refiling indicated that TransAlta made some of the required adjustments. However, in Calgary's view, there was an inconsistency between the information provided and the balances in the deferred tax account. Calgary submitted that there are two issues with respect to the deferred tax. One is the appropriate balance that should be transferred to AltaLink. The second is the difference between what TransAlta actually recorded and what it had forecast to be recorded with respect to its contested negotiated settlement.

Calgary stated that as at January 1, 2001, the opening balance of the deferred income tax account or future income tax liability account was either $11.5 million (TransAlta's Refiling page 5) or

$11.6 million (AltaLink's Refiling, Schedule 4-6, line 1, column a). Based on the refiling of the 2000 Corporate Income Tax Return for Rainbow type expenditures, the deferred tax balance would increase by approximately $1.2 million (5 x 0.25). In addition to temporary differences related to the Rainbow type expenditures, as Calgary understood it, based on TransAlta's January 1, 2002 to April 29, 2002 original filing and information request CAL-TAU.6, related to that filing, the other temporary differences would have been $0.4 million (-$50.2 M + $40.1 M + $1.0 M + $9.5 M) [Schedule 4.3 of the January TransAlta filing and response to CAL-TAU.6]. As a result, the deferred income tax balance or future income tax liability should have increased by a further $0.1 million ($0.4 million x 0.25). As a result, Calgary submitted that the information provided by TransAlta indicated that as at December 31, 2001, after an adjustment for the 2000 Rainbow Pipeline expenditure, the balance should be $12.8 million. Calgary noted that this balance did not reflect 2001 or the stub period, Rainbow type expense.

For the Stub Period, January 1, 2002 to April 29, 2002, the information indicates that the deferred income tax balance should have been reduced by approximately $50,000 ($0.2 million shown on Schedule 4-3, line 9 times 0.25). Rounding that amount to $0.1 million would, at a maximum, bring the April 29 deferred income tax balance, or future income tax liability account balance to $12.7 million. This number is some $1.6 million higher than that shown by TransAlta on page 5 of its submission and Schedule 4.4 of its Stub Period Compliance Filing, line 3. When the calculations of Schedule 4.4 are made, the rounded amount is $12.8 million rather than the $11.2 million shown. Calgary noted that TransAlta's Schedule 7.2 of the Compliance Filing neither agreed with Schedule 4.4 as presented by TransAlta, nor with the appropriate amount as discussed above.

AltaLink maintained that the correct closing balance of the Deferred Tax account should be the $8.7 million originally proposed by TransAlta, not the $11.0 million proposed by TransAlta in its refiling. AltaLink stated that TransAlta was directed in Decision 2003-061 to refund the benefit of all Rainbow deductions to customers in the current period, not to add the benefit to the deferred account. AltaLink submitted that the Board should direct TransAlta to reverse the $2.3 million in adjustments and approve a closing balance in the deferred tax account of $8.7 million.

TransAlta submitted that FIRM erred when it suggested that the benefit of the $3.1 million effect of reduced tax rates had not been reflected in the Refiling. TransAlta maintained that the full benefit of this amount remains in the deferred tax balance as transferred to AltaLink, for the benefit of customers. Calgary's Refiling comments, by contrast, are consistent with the recognition that the benefit to customers persists in the transfer to AltaLink of the deferred tax balance. TransAlta submitted that, in essence, what FIRM is seeking is that customers benefit twice from the $3.1 million effect; once when the benefit accrues through an AltaLink drawdown of the deferred tax account in the normal course, and once again in some unspecified immediate way in TransAlta's Stub Period tariff. TransAlta submitted that FIRM's request for having the benefit credited twice to customers should be denied.

In response to FIRM's suggestion that the Board's direction to advise of tax return refilings has not been complied with, TransAlta noted that response #8 on page 6 of its Refiling indicated that 1998 and 1999 tax returns have not been refiled. As well, the year 2000 Rainbow Pipeline benefit to the deferred tax account has been reflected (page 5 of the Refiling).

TransAlta submitted that FIRM's comment as to UCC balances missed the fact, as referenced on page 6 of TransAlta's Refiling, that the UCC balances as transferred to AltaLink already reflected Rainbow Pipeline effects. TransAlta noted that AltaLink's comments, as referenced by FIRM, that the balances were not revised, simply reflects that fact.

TransAlta also replied to Calgary, noting that Calgary agreed with its January 1, 2001 opening balance of $11.5 million in the deferred tax account, and with the augmentation thereof by $1.2 million in respect of the year 2000 Rainbow Pipeline deferred tax balance adjustment pursuant to the 2001 Settlement Agreement, both as reflected on page 5 of TransAlta's September 19, 2003 Refiling. Those amounts total $12.7 million, again as found on page 5 of TransAlta's Refiling.

TransAlta submitted that Calgary's calculation then begins to diverge from that of TransAlta because instead of reflecting the 2001 drawdown amount of $1.3 million that was the amount in fact credited to customers in year 2001 rates arising from the Settlement Agreement, Calgary instead looks to calculations referenced to the 2001 Report on Operations. In so doing, Calgary departs from what benefit customers actually received in rates for 2001 in respect of the deferred tax balance drawdown. In TransAlta's view, Calgary erred in so doing and ignored Decision 2003-061, page 22 where the Board stated: "The Board finds that TransAlta's forecast was reasonable at the time it was filed and is approved. The Board does not consider FIRM's request that the deferral tax account must reflect only actuals to be appropriate and it is denied." TransAlta submitted that its Refiling calculation properly reflected the benefit drawn down for 2001 rates purposes. The December 31, 2001 deferred tax balance of $11.4 million, as per TransAlta's Refiling, is thus correct, and Calgary's suggestion that it should instead be $12.8 million is ill-based.

TransAlta noted that Calgary then carried forward its year 2001 error into the Stub Period for 2002, leading to an erroneous result. TransAlta submitted that, when Calgary's errors are corrected, the result is the $11.0 million April 29, 2002 deferred tax balance transfer to AltaLink as set out in its Refiling. TransAlta urged the Board to ignore the revised Schedule 7.2 attached to Calgary's comments because it included the errors in the calculations of Calgary noted above and results in no material change to the Refiling of TransAlta.

TransAlta noted that AltaLink commented upon the deferred tax balance (or future tax liability account). AltaLink asked that no change be made to that as originally filed. By contrast, both TransAlta and Calgary have recognized proper compliance with the Board-approved year 2001 Settlement provision as follows:

> The 2001 Transmission Tariff will be reduced dollar for dollar by the impact of any further tax deductions as a result of that (Rainbow Pipeline) case that are included in TransAlta's 2000 and 2001 income tax filings with Canada Customs and Revenue Agency. (The reference to 2000 relates to the impact of the January 1, 2001 opening deferred income tax balance of higher timing differences resulting from the 2000 filing.)

The impact on the deferred tax balance, as emphasized above, is precisely the $1.2 million year 2000-related benefit that was agreed to and approved by the Board in respect of Rainbow Pipeline matters. That benefit has been recognized in the deferred tax balance calculation set out on page 5 of TransAlta's Refiling, and as well by Calgary at page 2 of their comments. It is the

benefit agreed to in the Settlement, approved by the Board and now reflected in the deferred tax balance, as it should be.

The remaining $1.1 million increase to the deferred tax balance was the correction noted on page 5 of TransAlta's Refiling that relates to the 2001 and 2000 Stub Period drawdowns.

Views of the Board

The Board notes that FIRM has continued to maintain that TransAlta has not reflected the $3.1 million adjustment relating to the change in federal income tax rates. The Board has further reviewed Exhibit 92 as well as TransAlta's refiling comments and concurs with TransAlta that the monies in question are still available for distribution to customers. The "Negotiated Settlement" column of Ex. 92 indicates that no distribution was forecast or included in rates. Similarly, the "Report on Operations" column indicates that no actual transaction took place in which customers did not benefit.

The Board further notes, however, that the monies in question were collected from present and prior customers in anticipation that they would be required to discharge future tax liabilities. The reduction in federal tax rates, however, has made these funds surplus to those necessary to discharge tax liabilities relating to current timing differences. Given that these funds were collected from present or past customers the Board considers it appropriate that the monies be refunded to customers as soon as possible. This was the intent of the Board's original ruling.

The Board therefore directs TransAlta to refund that portion of the Deferred Income Tax balance related to the reduction in federal income tax rates. The Board also directs TransAlta to supply a schedule illustrating the calculation of the refund so made to the AESO. TransAlta should also change the balance in its deferred tax account accordingly.

The Board notes that both Calgary and AltaLink have expressed concerns with the deferred tax balance. AltaLink has maintained that the balance should not be affected by Rainbow expenditures as this violates the direction in Decision 2003-061 and maintains the closing balance should be $8.7 million. Calgary accepts TransAlta's revised opening balance of $11.5 million and the Rainbow adjustment but disagrees with TransAlta's further adjustments.

The Board acknowledges that in Decision 2003-061, TransAlta was directed to pass through the benefit of Rainbow deductions to customers directly. The Board notes, however, that those interveners representing the end use consumers do not appear to object to TransAlta's proposed treatment. Upon further reflection, the Board concurs that that this is the more appropriate accounting treatment. The Board also notes that TransAlta has indicated that the CCRA is unlikely to approve TransAlta's tax refiling in total. This was not in evidence originally. The Board does not consider it prudent to have TransAlta refund the benefit directly only to have the CCRA disallow the deductions.

With respect to Calgary's other concerns the Board notes the adjustments TransAlta has referenced in Exhibits 92 and 123 and accepts them as correct. The Board therefore accepts TransAlta's adjusted closing balance as at April 29, 2002 as $11.0 million, prior to the adjustment related to the reduction in federal income tax rates.

The Board directs TransAlta to reflect the consequential changes to all schedules in its second Refiling, including income tax expenses that may be affected by the higher deferred tax account balance of $11.0 million.

The Board recognizes that the amounts actually incurred to meet future income tax liabilities may be different than the forecast amounts that TransAlta used when it calculated the balance to be transferred to AltaLink. The Board considers that any difference between actual and forecast amounts is a matter that is best handled through post-closing adjustments in the Purchase and Sale Agreement between TransAlta and AltaLink.

2.2.3 Hearing Cost Reserve Account

2.2.3.1 Funding

TransAlta noted that none of IPCAA, Calgary or FIRM took issue with the treatment of hearing cost reserve (HCR) matters contained in TransAlta's Refiling, recognizing as customers that TransAlta's Refiling achieved the customer funding responsibility and shareholder neutrality confirmed by the Board as appropriate in respect of HCR matters.

TransAlta further noted that in Decision 2003-061 (p. 14) the Board stated that "it is not particularly relevant whether the account is trued up through TransAlta or AltaLink", having confirmed that the account "is to be shareholder neutral". TransAlta proposed an assumption that the Board had decided that since it is not particularly relevant, then AltaLink should instead pay out the amounts to parties, record those payout amounts in its HCR account, and fund that account on an ongoing basis. In that circumstance, the amount of the refund to be calculated as owing by TransAlta for the Stub Period would have been unaffected by the Board's HCR directions.

TransAlta argued that AltaLink's proposal was to expressly affect the Stub Period refund calculation by HCR matters, and to thereby turn HCR funding into a TransAlta shareholder funding responsibility by means of the PSA. Under the PSA, AltaLink took the risk of differences between the Stub Period interim tariff and the final Stub Period tariff. They now seek to use the Board's process to reduce their contractual responsibility to TransAlta by seeking Board endorsement to treat the shareholder-neutral funding of the HCR account as, instead, something that will impact shareholders on both sides of the transaction as well as having customers fund the deficit in the hearing cost reserve.

TransAlta argued that Board determined the shareholder-neutral, customer-responsible nature of HCR activities, and that TransAlta's Refiling embodied that treatment. TransAlta requested that the Board affirm TransAlta's compliance by means of its Refiling, and deny the AltaLink attempt to manipulate commercial shareholder matters through the Board.

It appeared to AltaLink that TransAlta had not complied with the Board's directive with respect to the Hearing cost funding expense for the Stub Period. In Decision 2003-061, the Board directed TransAlta as follows:

> The Board holds that the amount of $2,647,000 of deficit in the HCR must be borne by the customers. The Board directs that this deficit be written off as an addition to recorded Hearing cost funding expense in the Stub Year to be shown in the Refiling.

The Board further held:

> The Board agrees that the amount of $167,000 is the appropriate portion of revenue collected in the Stub Period for hearing cost funding and directs TransAlta to add this amount to the HCR account in the reconciliation of HCR deficit referenced in Section 4.2.6 above.

On page 3 of TransAlta's refiling, TransAlta indicated that it has been directed to include $167,000 in its reconciliation of the HCR account. AltaLink submitted that TransAlta omitted the rest of the Board's directive that required TransAlta to reconcile that number with the HCR deficit in Section 4.2.6. Section 4.2.6 directed TransAlta to write off the deficit of $2.647 million in the HCR account as an addition to recorded Hearing cost funding expense in the Stub Year, and further directed that recalculation of the HCR be shown in the Refiling. AltaLink submitted that TransAlta did not record the $2.647 million in either Schedule 5.1 "Hearing Cost Reserve" or Schedule 4.0 "Revenue Requirement" of its refiling and submitted that in order to comply with the Board's directives, TransAlta was required to include $2.7 million in its revenue requirement for the Stub Period. Furthermore, AltaLink submitted that, had TransAlta complied with the Board's directives and funded the HCR accordingly, the final tariff would have been $2.5 million higher; however, the total amount of refund to customers would remain the same.

AltaLink requested that the Board adjust the hearing cost funding expense to include $2.7 million, as per the Board's directives. As a result of this adjustment the revenue requirement, for the purposes of determining final rates for the Stub Period, would be $51.9 million. (This did not include the effect that this adjustment may have on other revenue requirement components.)

The Board confirms its position that the HCR account is to be shareholder neutral and that the costs in the HCR must be borne by the customers.

Board Decision 2001-116 permitted TransAlta to extend its 2001 TFO tariff into 2002 on and interim refundable basis. Clearly, as shown TransAlta's refiled Schedules, the TFO tariff collected revenues in excess of revenue requirements for the Stub Period and that customers had over-paid and therefore, a refund was due to the customers and not applicable to be retained as earnings. Therefore, the Board confirms its intent in Decision 2003-061, that the excess revenue must be considered to the customer's account. Furthermore, a write down of deficit in the HCR would result in the customer paying for hearing costs and the balance would be returned to the customers via a refund to the transmission cost account. This process would also provide shareholder neutrality.

Therefore, the Board confirms its direction in Decision 2003-061 that the amount of $2,647,000 of deficit in the HCR shall be written off as an addition to the recorded Hearing Cost Funding expense in the Stub Year and shown in the Refiling. The Board confirms that its expectation was that the amount of $2,647,000 would be added to the revised Schedule 5.1 Hearing Cost Reserve Funding Line 2, and the consequential change to Schedule 4.0.

Therefore, the Board finds that TransAlta has not complied with the Board's direction on the recording of hearing cost funding expenses and directs TransAlta to file revised Schedules 4.0 and 5.1 of its Stub Period Application.

The Board understands that a revision to Schedule 7.2 would be necessary for reflecting the changes to Schedules 4.0 and 5.1 of TransAlta's Stub Period Application. However, the Board has determined that the effect on no-cost capital and the resultant change in revenue requirements is insignificant and therefore, no revision to Schedule 7.1 of TransAlta's Stub Period Application is required.

The Board understands that this issue may have been dealt with in the PSA that would result in a different affect on TransAlta's and/or AltaLink's results. The Board is not in a position to make determinations on the commercial terms in the PSA.

2.2.3.2 Hearing Cost Reserve Account Balance

With respect to the closing balance of the HCR, AltaLink noted that the Board held:

> ...the closing balance in the HCR for TransAlta was zero and, therefore, there would be no opening balance in the HCR account transferred to AltaLink.

AltaLink argued that TransAlta has not complied with the Board's directive to make the closing balance of the HCR equal to zero. Instead, AltaLink noted that TransAlta's Refiling showed a closing balance of negative $2.4 million.

AltaLink illustrated its argument in a schedule and argued that AltaLink's view of the appropriate treatment of the closing balance of the HCR and the hearing cost funding expense would not change the amount of refund to the customer.

AltaLink argued that the Board should reject TransAlta's obvious disregard for the Board's decision and the distortion of proper treatment of regulatory accounts. AltaLink recognized that it is not the Board's task or mandate to directly address commercial arrangements among parties that have no bearing on regulated rates. AltaLink proposed that it is the Board's task and mandate to ensure proper treatment of regulatory accounts and to ensure compliance with its orders and decisions. AltaLink submitted that, as per the Board's directives, the HCR balance should be adjusted to reflect a zero balance as at April 29, 2002.

TransAlta argued that the only legitimate matters of consequence to AltaLink should be (i) that its opening HCR balance be treated as a zero balance and (ii) that it not bear, subsequent to April 29, 2002, responsibility for payment and collection from customers of the $2.4 million of HCR costs that the Board asked TransAlta to see to. TransAlta argued that the TransAlta Refiling accomplished both of those. TransAlta noted that Board's language (p. 14) that the amount "be written off" by TransAlta rather than AltaLink could not be taken to suggest that the amount is intended to be a shareholder matter, but TransAlta argued that AltaLink's entire effort in this proceeding is to try to make it so.

The Board confirms its intent in Decision 2003-061 that the total prior period HCR deficit in the amount of $2,647,000 would be added to expense in the Stub Period and would result in a zero closing balance in the HCR on Transfer date. The Board expects that the changes to the Schedules will result in a zero closing balance on April 29, 2002.

2.3 Summary of Board's Views on TransAlta's Compliance

In this Decision, the Board has only addressed in detail those matters at issue among the parties that provided comments on TransAlta Stub Period Refiling. The Board's findings and conclusions are contained in the appropriate preceding substantive sections. For convenience, these are shown in Appendix 1.

The Board has also reviewed the matters relating to the TransAlta Stub Period Directives in Decision 2003-061 that were uncontested, or on which interveners expressed no substantive objection, (uncontested Directions) and has found that TransAlta has satisfactorily addressed those uncontested Directions.

Accordingly, the Board finds that TransAlta has complied with the uncontested Directions.

The Board finds that TransAlta has not fully complied with the Board's directions in Decision 2003-061 and, consequently, the Board is unable to finalize TransAlta's Stub Period revenue requirement at this time. The Board considers that a second Stub Period Refiling to reflect the Board's findings and conclusions in this Decision is necessary and will so order.

The Board expects that after TransAlta's second Refiling, it should be in a position to finalize TransAlta's Stub Period revenue requirement and rates.

3 ALTALINK AND TRANSALTA GTA REFILINGS

For ease of reference, the relevant Board directions in Decision 2003-061 relating to AltaLink and TransAlta 2002-03 and 2003-04 GTA Refilings are provided in Appendix 2 to this Decision.

3.1 Summary of AltaLink GTA Refiling

AltaLink's Refiling consisted of the following:

- A comprehensive list of all directives from the Board, specific to AltaLink, required to be addressed in the Refiling.
- A summary of the changes to AltaLink's Revenue Requirement as a result of complying with the Board's directives.
- The schedules from the Cost of Service Model showing the determination of the revised Revenue Requirement. An electronic working copy of the model was also provided.
- Attachments #1 to #3, which addressed the non-financial directives of the Board.
- AltaLink's Terms &Conditions refiled in compliance with Board Directive #58.

Based on an assumption that a Board decision on its Refiling would be rendered prior to November 2003, AltaLink sought approval from the Board for a revised monthly charge to the AESO for the 6-month period from Nov 2003 to April 2004 of $12,405,708 for AltaLink and $151,204 for TransAlta for an aggregate monthly charge of $12,556,912 calculated as follows:

Table 2. AltaLink Estimate of Revised Monthly Charges to the AESO for November 2003 to April 2004

	Monthly Interim Tariff		# of		Aggregate Billings		
Billings to date	**AltaLink**	**TransAlta**	**months**		**AltaLink**	**TransAlta**	**Total**
2002/03							
May to Dec 2002	13,508,334	233,333	8		108,066,672	1,866,664	109,933,336
Jan to Apr 2003	9,702,875	222,611	4		38,811,500	890,444	39,701,944
2003/04							
May & Jun 2003	9,702,875	222,611	2		19,405,750	445,222	19,850,972
July & Aug 2003	12,520,458	222,611	2		25,040,916	445,222	25,486,138
Total of invoice from May 2002 to Aug 2003					191,324,838	3,647,552	194,972,390
Sep & Oct 2003 billable amount	12,520,458	222,611	2		25,040,916	445,222	25,486,138
Total of billing (assuming Refiling is approved prior to Nov 2003)				(i)	216,365,754	4,092,774	220,458,528
Revenue Requirement as Refiled							
for 2002/03 test year			Schedule 4.1		**140,400,000**	2,500,000	142,900,000
for 2003/04 test year			Schedule 4.1		150,400,000	2,500,000	152,900,000
					290,800,000	5,000,000	295,800,000
				(ii)	290,800,000	5,000,000	295,800,000
Revenue to be recovered over the							
Period from Nov 2003 to April 2004					74,434,246	907,226	75,341,472
Revised monthly charge							
for the 6 months from Nov 2003to April 2004			6	(ii)-(i)	**12,405,708**	**151,204**	**12,556,912**

3.2 Summary of TransAlta GTA Refiling

TransAlta advised that, in respect of 2002/03 and 2003/04, TransAlta, AltaLink and the AESO had agreed that an appropriate method for effecting the refund of the difference between interim and final tariffs was as follows.

Once the Board has approved TransAlta's GTA refiling, AltaLink will adjust the following month's tariff that it pays to TransAlta for the amount of the refund. TransAlta estimated the total refund for 2002/03 to be $237,000 and, for 2003/04 (May - Sept), to be $70,000 as shown below.

Table 3. TransAlta Estimate of Refund Summary for 2002/2003 and 2003/2004

Description	May 2002 - Apr 2003	May - Sept 2003
	(a)	(b)
Revenue on Interim Rates	2,757,000	1,113,000
2002/03 Refiled Revenue Requirement	2,520,000	-
2003/04 Refiled Revenue Requirement: May - Sept.	-	1,043,000
Refund Due (via AltaLink)	237,000	70,000

TransAlta stated that, as a result, the Board's order in respect of TransAlta's 2002/03 and 2003/04 Refiling should acknowledge that the TransAlta refund amounts would be reflected in payments made by the AESO to AltaLink, and then reconciled as between TransAlta and AltaLink in accordance with the above approach.

3.3 Comments on AltaLink's Refiling

Comments on AltaLink's GTA Refiling related to the following areas:

- Availability of "actual" monthly information
- April 30, 2002 revenue and revenue requirement
- Opening rate base balance
- Calculation of mid-year balance for construction work in progress (CWIP)
- Support for 4.4% expense lag used in working capital allowance (WCA)
- Direct assigned projects CCA calculation
- Support for pension cost calculations. Explanation of "Sale of Surplus to SNC" adjustment
- Staffing levels
- 2.0 times salary multiplier for SNC work
- April 30, 2002 balance for future tax liability understated by $4.1 million. Transfer of temporary Rainbow timing differences in 2001 and stub period to AltaLink. Calculation of income taxes to reflect Board-directed pension adjustment
- Refiling of net salvage rates for applicable asset accounts
- Revenue verification

Some comments simply requested that more information be filed, while others made specific suggestions for changes to the Refiling. The Board will address the more contentious comments and the Applicants responses before providing its overall determination on AltaLink and TransAlta's compliance with the 2002-03 and 2003-04 GTA directions in Decision 2003-061.

3.3.1 Availability of "Actual" Monthly Information

FIRM did not object to AltaLink's proposal to commence calendar year operations on January 1, 2005. However, FIRM noted that the current GTA should or can be "re-heard" on a calendar year basis and submitted that AltaLink should be directed to maintain and have available for examination in its next GTA filing, monthly "actual" information, by GTA schedule. In FIRM's view, this would allow all parties to test the reasonableness of AltaLink's 2002/03 forecast compared to actual as well as any part of the 2003/04 forecast where actual information was available. FIRM submitted that, if this information were not made available, all parties would be in the same position that they were in with the original GTA filing. That is, there would be no "actuals" to test AltaLink's forecast or their history of forecasting.

AltaLink noted that the Board regulates utilities such as AltaLink on a fixed forward test year basis and questioned whether a response to FIRM's request for monthly "actual" information was necessary. AltaLink stated that, in keeping with regulatory practice, it will make available each year its Report on Operations that would reflect the actual operational information for each regulatory period.

The Board approves AltaLink's proposal to commence calendar year financial recording on January 1, 2005. The Board expects that, in its annual report of financial performance, AltaLink will clearly show the cost of changing its fiscal year end in the financial results and that these costs are not part of utility expenses.

The Board notes that the full year data for the 2002/2003 test year will be available for comparison purposes in AltaLink's next GTA. The test period 2003/2004 will expire on May 1, 2004 and actual data will be available for this period subsequent to the close of financial recording for 2003/2004. Should the proceedings and the date of close of record at the next GTA extend past the date of issue of AltaLink's financial results for 2003/2004, then the 2003/2004 actuals will be required to be filed for examination at the next GTA. The Board notes that, with the change of fiscal year to calendar year on January 1, 2005, the subsequent test period will be a stub year consisting of 8 months of financial operations.

The Board has considered FIRM's recommendation that data be made available on a monthly basis in 2004 for testing the 2003/2004 forecast. The Board holds the view that monthly financial data is subject to variations in results that are affected by seasonal conditions and therefore, examination of monthly results can lead to distortions when compared to forecast annual performance.

Therefore, the Board will not require AltaLink to have available for examination at its next GTA monthly "actual" data for 2002/2003 and part of the 2003/2004 for the period that actual data is available. The Board expects AltaLink to report its financial performance to the Board as required in the EUA for the test years 2002/2003 and 2003/2004. Furthermore, the Board expects that AltaLink will record and report its financial performance for the stub period May 1 to December 31, 2004.

3.3.2 April 30, 2002 Revenue and Revenue Requirement

The Board reduced the recorded revenue for TransAlta by the amount of $458,000 and directed that this amount be added to the recorded revenue for AltaLink to show the effective date of transfer of the transmission business on April 29, 2003.

Based on an assumption that TransAlta had not provided it with revenues for April 30, 2002, in its Refiling, AltaLink increased the forecast revenue requirements for the test year 2002/2003 by the amount of $458,000.

Calgary noted that the Board had directed that TransAlta's revenue for the period ending April 30, 2002 be reduced by $458,000 and that this amount be treated as increased revenue for AltaLink. However, in Calgary's view, AltaLink has overstated its revenue requirement for the period May 1, 2002 to April 30, 2003 by approximately $1 million, in that rather than showing the adjustment as a revenue item, it has shown it as a revenue requirement item. Calgary submitted that AltaLink's revenue should have been increased by $0.5 million, or alternatively its revenue requirement should have been reduced by a like amount; leaving a revenue requirement, based on AltaLink's numbers, of $139.9 million rather than the $140.8 million shown on the summary financials page 1.

Upon confirmation from TransAlta that it had received the revenues for April 30, 2002, AltaLink filed information on November 7, 2002 amending its Refiling with respect to this matter.

The Board has reviewed the revised Revenue Requirement Schedule 4.1 (and by inference Miscellaneous Revenue Schedule 4.2) submitted by AltaLink on November 7, 2003, and is satisfied that AltaLink is now in compliance with its Direction respecting the treatment of the April 30, 2002 revenues that AltaLink received from TransAlta.

3.3.3 CWIP Estimates, Mid-Year Balances and AFUDC Calculation

AltaLink submitted that the CWIP closing balances on Schedule 6.0, line 21, column (e) $8.5 million, and column (h) $0, are correct. In Attachment #2 to the Refiling, AltaLink explained that it forecast that it would complete all of its direct assign and capital maintenance projects by fiscal year end 2003/2004 and therefore, the ending CWIP balance for April 30, 2004 would be zero. Furthermore, AltaLink illustrated that the effect on revenue requirement by substituting the CWIP closing balance in the "AFUDC calculation" for the balances on line 21 columns (e) and (h), would be zero.

FIRM argued that AltaLink did not appear to have calculated the mid-year balance for CWIP correctly. The mid-year balance for CWIP shown in Schedule 6.0 in 2002/03 should be $10.3 million (i.e. average of $12,100,000 and $8,500,000) instead of the $13.2 million shown for 2002/03. Similarly the 2003/04 mid-year balances for CWIP in 2003/04 should be $4.3 million (i.e. $8.5 million and 0) instead of the $8.1 million shown in Schedule 6.0.

Alternatively, FIRM proposed that if AltaLink was stating that the "Revised Capital Additions 2002/03 Forecast" and the "Revised Capital Additions 2003/04 Forecast" shown in Schedule 6.0 should some how be further incorporated, it appeared it had assumed that all of the additional capital shown in the revised numbers is part of CWIP.

Calgary noted that in Decision 2003-061, at page 30, the Board indicated to AltaLink that it found the estimate of $2,000 in for CWIP at April 30, 2004 to be unreasonable. As a result, Calgary noted that AltaLink now forecast $0 as the balance of the work in progress at April 30, 2004. Given that the balance was $12 million at April 30, 2002 and $8.5 million at April 30, 2003, Calgary argued that a balance of $0 was just as unreasonable as a balance of $2,000 in AltaLink's original filing. As a result of AltaLink's failure to be realistic in its forecast, Calgary suggested that the Board use the same balance at April 30, 2004 as AltaLink used for AFUDC purposes, i.e. $7.6 million (Schedule 6.0). This would result in a reduction in the addition to rate base by an equivalent amount. The capital cost allowance additions would also change.

In its corrected Refiling on October 27, 2003, the Board notes that AltaLink has revised its estimate of CWIP closing balances and therefore, the mid-year CWIP balances.

In Decision 2003-061, the Board expressed the view that the amount of $2.0 thousand for CWIP for April 30, 2004 might have been erroneously calculated and directed AltaLink to review this forecast to determine its accuracy and reasonableness. The Board did not make a determination in the Decision 2003-061 of the amount it considered to be more reasonable than the $2.0 thousand. However, based on the actual CWIP amount of $12.1 million recorded on April 30, 2002 and AltaLink's forecast CWIP for April 30, 2003 in the amount of $8.5 million, the Board expected that AltaLink would revise its estimated CWIP for April 30, 2004 to a significantly higher amount than the original forecast.

The Board notes that Calgary considered the revised amount of zero for CWIP forecast on April 30, 2004 would be just as unreasonable as the original estimate of $2.0 thousand and recommended an amount of $7.6 million based upon the amount used by AltaLink in Schedule 6.0 for AFUDC purposes. In its Reply Comments, AltaLink corrected Calgary's recommended amount of $7.6 million. Therefore, the Board will not accept Calgary's proposed amount of $7.6 million as being representative of a reasonable amount.

In view of the amounts in CWIP on the preceding two year-ends, the Board remains unconvinced that AltaLink would be able to complete all of its capital works projects by the end of succeeding 2003/2004 year. However, the Board considers that the forecast reduction in CWIP from April 30, 2002 to April 30, 2003 by the amount of $3.5 million is reasonable and that AltaLink's resolve to complete its capital projects may result in a further reduction in the CWIP balance on April 30, 2004 from that forecast for April 30, 2003. The Board is of the view that, for purposes of this decision, a further reduction in CWIP by the amount of $3.5 million from the April 30, 2003 amount of $8.5 million would be reasonable.

Therefore, the Board believes that the amount of $5.0 million ($8.5 million less $3.5 million) represents a more reasonable estimate than AltaLink's zero forecast of CWIP for the end of the fiscal year 2003/2004. In arriving at this conclusion, the Board notes its reliance upon AltaLink's estimate for the forecast CWIP on April 30, 2003 and, in addition, gives weight to AltaLink's resolve to complete its capital projects for year-end 2003/2004. The credibility of these estimates will be measured against the actual results when AltaLink files its report on operations for the test years.

Accordingly, the Board directs AltaLink, in its second Refiling, to revise its estimate for the 2003/2004 year-end CWIP showing the amount of $5.0 million and to reflect the consequential changes to all schedules including in capital additions to rate base, AFUDC, CCA schedules and income taxes that may be affected by this revision.

3.3.4 Working Capital Allowance Interest Expense Lag

The Board requested confirmation of the expense lag ratio for interest and if necessary, to recalculate the WCA amount for interest expense. AltaLink confirmed that the correct expense lag ratio was 4.4 % and recalculated the WCA amount on the 4.4% ratio shown in revised Schedule 7.1. AltaLink explained that the 9.1% figure in the application was an error and was not used in the calculation of the revenue requirement. AltaLink stated that the correct expense lag ratio of 4.4% was used in the evidence filed in the GTA proceeding.

Calgary proposed that AltaLink be directed to provide working papers supporting the 4.4% since some of the debt is with affiliates.

The Board considers that AltaLink's submission of expense lag ratio of negative 4.4% provides a reasonable amount for the short term debt component in working capital and that additional information related to the sources of short term debt from various affiliates will not improve the accuracy of this component by any significant amount. Therefore, the Board will not require AltaLink to provide working papers to support the 4.4%.

The Board finds that AltaLink has complied with its Direction regarding the expense lag ratio for interest.

3.3.5 AESO Direct-Assigned Projects Deferral Account Process

The Board directed AltaLink to provide a comprehensive description of the annual AESO direct-assigned projects deferral account reconciliation process including a numerical example illustrating how variances from costs associated with a new direct-assigned project and any unforecasted customer contributions will be used to determine the monthly adjustment that would be applied to the AESO charges for the following fiscal year and thereafter until the next GTA.

AltaLink provided Attachments 3A and 3B in the refiling describing the reconciliation process along with a numerical example of how the mechanism is applied to direct-assigned projects.

Calgary questioned the accuracy of the calculation in Attachment 3B in the column headed Income Taxes Current.

At page 76 of Decision 2003-061, Section 7.10.6, the Board directed AltaLink, to revise its estimate of Capital Expenditures to reflect the 2.0 times salary multiplier excluding benefits for the work forecast to be assigned to SNC Lavalin for the test years to reflect the reduction in the calculation of mid-year rate base and CWIP. On page 2 of its summary of financials, AltaLink shows an adjustment to Property Plant and Equipment of $1.2 million which it attributes to both the SNC change and the calculation of AFUDC. However, based on the December 4 Schedule 9.0 and the Compliance Filing Schedule 6.0, most of the difference appears to be related to AFUDC ($2.3 - $1.4 = $1.9). Therefore, there appears to have been a minimal $300,000 adjustment made to reflect the change directed by the Board with respect to expenditures by SNC Lavalin. Calgary would submit that it is incumbent upon AltaLink to provide all working papers showing the derivation of the adjustment with respect to the direction on page 76 of the Decision. Certainly, based on the information in the summary financials, page 2, and the discussion above with respect to CWIP, it does not appear that there has been any adjustment in 2002/20034. In 2003/2004 it appears the adjustment to reflect the SNC amount, together with all of the revisions to Capital Additions, exclusive of AFUDC, would total $2.6 million ($2.3 M - $1.1 M = $1.2 M - $3.8 M = $2.6 M). Again, AltaLink has provided no work papers which would support the adjustment or otherwise indicated the appropriateness of the number. Calgary would request that the Board direct AltaLink to provide the necessary information.

In Attachment No. 3B at page 41, AltaLink was directed to provide in its refiling a description of the AESO Direct-Assigned Project Deferral Account Reconciliation Project. Calgary's review of Attachment No. 3B indicates that there appears to be an error with respect to the placing of a decimal point in the Section headed Income Taxes Current, so the amount shown as $0.04, $0.02 and $0.06 should be $0.4, $0.2, and $0.6.

In the example, AltaLink used amounts for CCA of $20.00 and $18.00. However, given the changes shown under Capital Additions, the determination of those amounts is not readily obvious, and Calgary would request the Board to direct AltaLink to provide the underlying calculations for those CCA amounts.

AltaLink agreed that the correct figures were $0.4, $0.2 and $0.6. The formulas for arriving at the correct figures were provided in Attachment 3B of AltaLink's Refiling. AltaLink provided the calculations underlying the CCA amounts on Attachment 3B.

Based on its review of Attachments 3A and 3B of the Refiling and AltaLink's further revision and clarification, the Board is satisfied that AltaLink has complied with its Direction related to the AESO-direct assigned projects deferral account process.

3.3.6 Pension

The Board directed AltaLink to reduce the effect of the additional 2% proposed company contribution for the pension plan and to recalculate the pension expense, pension contributions and pension liability and surplus amounts as well as the consequential effects on operating and capital expenditures resulting from this adjustment. (Directive #20)

The Board did not accept that the current funding for the DC plan should be provided by the draw down of the surplus and directed AltaLink to eliminate the draw down in the DB expense forecast by reducing the draw down to reflect only the current test year funding requirement. (Directive #18) The Board confirms that the word "accelerated" was not intended to be part of its direction in the Decision and should be struck from the directive.

AltaLink increased the amount for pension expense in each test year to reflect Directive #18. Consequently, AltaLink also increased its estimate of no-cost capital by the amount of $3.0 million and $4.7 million in the test years 2002/2003 and 2003/2004 respectively.

FIRM noted that on Schedule 5.0, AltaLink effected a reduction in the amount of $0.3 million in pension expense to comply with the Board's directive to reduce from 10% to 8% AltaLink's total contribution to pension plans. However, AltaLink had not provided any documentary back-up to this calculation. Therefore, FIRM was not able to comment on the appropriateness of the dollar amount of this adjustment. The FIRM submitted that AltaLink should be directed to provide further detail to substantiate the pension cost calculations.

Calgary noted that, at pages 44 and 45 of Decision 2003-061, the Board directed AltaLink not drawdown the pension surplus but rather make contributions in 2002/2003 and 2003/04. AltaLink appears to have complied with that direction, however, a review of Schedule 5.2 indicates that in addition to making the directed change, AltaLink made an Adjustment for the sale of surplus to SNC, in the amounts of $1.2 million for 2002/03 and $0.2 million for 2003/04. These amounts were originally on line 13 of Schedule 5.2 and have been eliminated on line 13 of the Schedule 5.2 filed in the compliance filing, with no explanation given for the change. Calgary requested the Board to direct AltaLink to provide the explanation for the change.

In its Reply Comments letter of October 27, 2003, AltaLink provided an explanation of the method used to calculate the reduction in pension expense in compliance with Directive # 18. AltaLink reduced its estimate of operating expenses by the amount of $300,000 in each test year. The $0.3 million reduction in pension expense was calculated as follows:

> $16.6 million gross salary & wages less $800k of non-pensionable portion of salary times 2% = $0.3 million

Furthermore, in its Reply Comments letter of October 27, 2003, AltaLink explained that changes to Schedule 5.2 were made as a result of the Board's direction for AltaLink to collect pension expense in its Revenue Requirement. AltaLink had originally planned to contribute the $1.2 million and $0.2 million referred to on line 13 of Schedule 5.2 into the DC portion of the pension plan upon receipt of amounts from SNC. In compliance with the Board's direction for AltaLink to collect the DC pension expense in its Revenue Requirement and to contribute the amount collected into the pension plan, AltaLink advised that it can no longer contribute the $1.2 million and $0.2 million received from SNC into the plan as pension legislation prohibits AltaLink from contributing more than its pension expense. As a result, the $1.2 million and $0.2 million remain in the Pension Liability account and will be treated as no cost capital.

The Board accepts AltaLink's reduction to the pension contribution in the amount of $0.3 million in each year as a reasonable amount for the directive to reduce from 10% to 8% the proposed company contribution to the pension plan. Therefore, the Board considers that AltaLink has complied with Directive # 20.

Furthermore, the Board accepts AltaLink's proposed treatment of the $1.4 million returned form SNC to AltaLink pension as a Pension Liability and being considered as no-cost capital. Therefore, the Board considers that AltaLink has complied with the Board's directives related to pension adjustments.

3.3.7 Operating Costs Staffing Level

AltaLink requested approval for 18 additional staff in 2002/2003 and 14 additional staff in 2003/2004. The Board considered that the requested increases were unjustified in relation to the projected growth and aging of existing facilities. Therefore, the Board required AltaLink to reduce its revenue requirement for additional staff to 9 in 2002/2003 and 16 cumulative in 2003/2004 showing the consequential effects on operating expenses, working capital and capital expenditures.

FIRM disagreed with AltaLink's calculations. Further, there was insufficient information regarding the consequential effects of the staffing reduction on other areas of the revenue requirement. Without further evidence to substantiate AltaLink's filing, the FIRM recommended further reductions of $897,300 for 2002/03 and $1,276,100 for 2003/04 to those filed by AltaLink.

FIRM disagreed with AltaLink's calculated adjustment for the reduced staff levels and the associated benefits. FIRM filed Schedule 1 in its Refiling comments showing FIRM's view of the required reductions to salaries and benefits to comply with Directive #21.

AltaLink submitted that FIRM's recommendations were contrary to the Board's directive. AltaLink stated that it sought clarification from the Board with respect to the treatment of the Operating cost associated with the reduced number of FTE's and was instructed to reduce labour expense by $65,000 per FTE reduced. AltaLink reflected this reduction in its refiling.

AltaLink noted that FIRM's suggestion to reduce general operating expenses by an additional $400,000 was arbitrary. Further, AltaLink reduced its general operating expenses associated with staffing costs to reflect the FTE reductions of a forecasted amount of $4000 per new FTE.

The Board confirms that its Direction respecting operating staff level required AltaLink to reduce labour expense by $65,000 per FTE reduced. Furthermore, the Board considers that AltaLink's adjustment to its operating costs with respect to this Direction is appropriate.

3.3.8 Affiliate Transactions – SNC Lavalin

The Board directed AltaLink to reflect the 2.0 times salary (excluding benefits) multiplier for the work forecast to be assigned to SNC for the test years reflecting the reductions to mid-year rate base and CWIP.

AltaLink stated that there were three elements to the adjustments in Capital Projects as a result of Decision 2003-061.The three elements were SNC labour charge, E&S and AFUDC. AltaLink provided a table that reconciled the $1.2 million and $3.8 million adjustments shown on page 2 of the Summary Financials.

In its Reply Comments on October 27, 2003, AltaLink explained in Item #6 that SNC labour component of direct assign capital projects was forecast at 20% of the total cost. Pursuant to the Board's directive # 29, AltaLink reduced the SNC cost of direct assign labour for capital project forecasts by 20%. For the 2002/03 test year, the reduced amount was $34.0 x 20% x 20% = ($1.4) million. For the 2003/04 test year, the reduced amount was $22.3 x 20% x 20 % = ($0.9) million.

FIRM noted that AltaLink reference to Summary Financial Page #2, Note i(b) and Schedule 6.0. Note i included the effects of the AFUDC recalculation in Note i(a) and the Affiliate transactions cost change in Note i(b). FIRM stated that Schedule 6.0 did not provide any further reference for the amount of change. Thus, the FIRM was not able to comment on the appropriateness of the proposed change since detail is lacking.

The Board has reviewed AltaLink's proposed reduction in forecast direct assign project costs to account for the reduction in SNC labor charge multiplier. The Board is satisfied that reduced amounts for SNC labor component in the direct assigned projects, shown as $1.4 million for 2002/2003 and $0.9 million for 2003/2004 test years are reasonable. Therefore, the Board considers that AltaLink has complied with its direction respecting the SNC labour charge multiplier.

3.3.9 Income Tax – Deemed Income Tax Allowance and LCT

In its refiling comments, Calgary suggested that two minor adjustments should be made to AltaLinks's tax information. Calgary noted that the closing balance shown by TransAlta on Schedule 4.6, for the period January 1, 2002 to April 29, 2002 for federal purposes was $562.1 million and for provincial purposes was $566.5 million. The amounts shown as the opening balance by AltaLink on Schedule 4.7 are different by $900,000 for federal purposes and $1.0 million for Alberta purposes. Calgary stated this ignored the fact that TransAlta has not made any adjustments to its CCA schedules pursuant to the Board's directions.

Calgary's second issue related to the tax effect of the deductibility of pension expense allowed in Decision 2003-061. Calgary stated it appeared that Schedule 4.3 in the compliance filing and Schedule 4.4 did not reflect the changes in the pension expense directed by the Board. Calgary would have expected that as a result of those changes, there would have been an adjustment of the deductibility of the pension expense for income tax purposes. Consequently, Calgary

requested that the Board direct AltaLink to make the adjustment or provide an explanation as to why it has not.

In reply AltaLink stated the differences between AltaLink's and TransAlta's ending CCA balances as at April 29, 2002 in the amount of $0.9 million for federal purposes and $1 million for Alberta purposes appear to be accounted for by the difference in the UCC balance on the Withheld Assets. In CAL.ALP 119 (l-m) Revised, AltaLink explained that the ending CCA balance on the Withheld Assets was $11.2 million as at December 31, 2001.2 However, in Exhibit 123, TransAlta revised the ending CCA balances on the Withheld Assets to $10.2 million but provided no explanations for the revision. In TransAlta's refiling, TransAlta reported overall closing balances for UCC as at December 31, 2001 of $563.7 million for federal purposes and $568.0 million for Alberta purposes. AltaLink does not know how TransAlta determined these amounts in its refiling. AltaLink believed that the ending CCA balances of $561.2 million and $565.5 million as shown on revised Schedule 4.7 are the correct balances.

With respect to pension expenses AltaLink stated that, as directed by the Board, AltaLink adjusted pension expenses and reflected those changes under the heading "Other Temporary Differences" (Schedule 4.4, line 10) in AltaLink's refiling. The total change to the tax deductibility of pension expense for the year 2002/03 is $4.4 million and for the year 2003/04 is $2.4 million. These changes were incorporated into the amount on line 10 of schedule 4.4 of AltaLink's refiling.

The cash contribution to the pension plan of $1.6 million made in 2002/03, as shown on Schedule 5.2, was funded by the pension plan surplus. Consequently, AltaLink did not contribute cash to the pension fund and no deduction has been made for tax purposes for 2002/03.

The Board notes Calgary's concern with respect to the balances in the CCA accounts but does not consider the discrepancy to be material at this time. The Board notes that as a result of the CCRA audit of TransAlta's Rainbow deduction claims that these balances will probably change in any event. Any discrepancy can be rectified at that time.

With respect to Calgary's comments regarding pension expense, the Board has reviewed AltaLink's explanation in its reply comments and finds it acceptable.

3.4 Summary of Board Views on AltaLink and TransAlta's Compliance with GTA Directions in Decision 2003-061

In this Decision, the Board has only addressed in detail those matters at issue among the parties that provided submissions on the Refilings. The Board's findings and conclusions are contained in the appropriate preceding substantive sections. For convenience, these are summarized in Appendix 3.

The Board has also reviewed the matters relating to AltaLink's Decision 2003-061 Directives that were uncontested, or on which interveners expressed no substantive objection, (uncontested Directions) and has found that the Applicants have satisfactorily addressed those uncontested Directions.

Accordingly, the Board finds that AltaLink has complied with the uncontested Directions.

The Board finds that AltaLink has not fully complied its directions in Decision 2003-061 and, consequently, the Board is unable to finalize AltaLink's revenue requirement for fiscal years 2002-03 and 2003-04 at this time. The Board considers that a second refiling to reflect the Board's findings and conclusions in this Decision is necessary and will so order.

4 FILING OF INFORMATION ON CAPITAL STRUCTURE OF ALTALINK'S OWNERS

Notwithstanding its view that the Board's request to provide the owners' capital structure information violates the stand-alone approach that ought to govern the regulation of AltaLink, AltaLink filed the following capital structure table.

Table 4. AltaLink's Owners Capital Structure

	SNC Lavalin Transmission	OTTPB TEP Inc.	Macquarie Transmission	3057246 Nova Scotia	Total
Balance Sheet Date	31-Dec-02	30-Apr-03	30-Jun-03	31-Mar-03	
Debt-Interest Bearing	-	-	15,189,511[1]	15,657,861[2]	30,847,372
Debt-Non-Interest Bearing	-	-	6,769,402	-	6,769,402
Equity-Share Capital	71,164,455	36,682,708	1	1	107,847,165
Equity-Retained Earnings (Deficit)	3,499,877	1,715,875	873,410	-84,250	6,004,912
Total	74,664,332	38,398,583	22,832,324	15,573,612	151,468,851
Percentage					
Debt	0.00%	0.00%	96.17%	100.54%	24.83%
Equity	100.00%	100.00%	3.83%	-0.54%	75.17%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

AltaLink also provided what it considered to be relevant information commentary (Commentary) from AILP and each of its four limited partners (OTPPB TEP Inc., SNC-Lavalin Transmission LTD., Macquarie Transmission Alberta Ltd., and Trans-Elect) to facilitate the Board's full understanding of this matter. The Commentary also included a rationale for using a limited partnership structure and AltaLink's view that the data provided concerning the direct and indirect owners of ALP ought not to bear on the calculation of the component for taxes in ALP's revenue requirement.

AltaLink also provided a copy of the 2002 Large Corporation Tax (LCT) form for SNC-Lavalin Transmission Ltd. and a pro-forma LCT calculation for OTPPB TEP Inc. (OTPPB) for the February 1 to April 30, 2003 period. AltaLink explained that prior to January 31, 2003, OTPPB was exempt from LCT pursuant to paragraph 181.1(3)(c) of the Income Tax Act. On January 31, 2003, OTPPB sold a nominal interest in the company to a third party and was deemed to be taxable. It became subject to LCT after this date. As a result, a pro-forma LCT calculation was made based on a 365-day fiscal year, prorated for a short fiscal period from February 1 to April 30, 2003.

[1] The company's parent, MEAP, provides all debt. The non-interest bearing debt accrues no interest and is in substance equity. The interest bearing debt bears interest at 12% per annum.

[2] 3057246 note payable bears interest at 10.5% per annum.

4.1 Views of the Board on AltaLink's Owners Capital Structure Information

In section 8.1.6 of Decision 2003-061, the Board stated that in Alberta's cost of service jurisdiction where revenue and costs are forecast on a prospective basis, a fundamental principle of financial regulation of utility companies is that there should be a reasonable expectation of incurrence of approved costs during the test period.

The Board's experience indicates that, in most cases, costs are usually predictable within an acceptable range of accuracy. The relatively narrow range of deviation between approved forecast and actual costs confers on the utility company a benefit or burden associated with cost variances during the test period. Should the actual costs vary significantly from the forecast costs during a test period, an opportunity is available to the Board and interveners in the utility company's next general tariff application to use the company's previous forecasting accuracy, or inaccuracy, to assess the reasonableness of its then applied for revenue requirement forecast.

The existence of a lengthy regulatory history with a particular utility company also enhances the Board's understanding of the applied for costs and, in connection with the interest charges, the relationship between the deemed capital and actual structure. Since this was AltaLink's first GTA, the Board was unable to conduct this type of review of AltaLink's 2002-03 and 2003-04 GTA, as there was no regulatory history to provide context for the Board.

AltaLink's partnership structure also contributed to the difficulty in reviewing its GTA and gave the Board concern particularly with respect to the inclusion or exclusion of deemed income tax allowance in the revenue requirement. The Board was concerned that AltaLink's partnership structure could lead to the approval of an income tax allowance that could be significantly greater than the tax ultimately paid by the partners, solely because of the corporate structure of the utility partnership and the opportunity for the four partners to establish a capital structure that deviates materially from the stand-alone structure set by the Board for the operating utility. Similarly, because there was no other current or past partnership structure that owned a regulated utility in Alberta, the Board did not have any of its own regulatory experience on which to rely.

These circumstances suggested to the Board that it ought to take a more cautious and measured approach to the assessment and approval of AltaLink's applied for costs for 2002-03 and 2003-04 than it would normally adopt if it were reviewing a GTA from the usual structure of the utility companies previously appearing before the Board with a long standing history of regulation.

Compounding this situation was the fact that there was no evidence on the record to show the actual capital structure of the limited partners as it relates to their respective investment, excluding the premium, in the utility. Therefore, the Board was unable to assess how the actual interest cost of each partner correlated with its tax status and, consequently, the quantum of deemed income tax that should be included in AltaLink's revenue requirement.

To further its understanding of this matter, the Board directed AltaLink to provide all relevant information related to the capital structure, excluding the premium, of the four limited partners' investment in the utility partnership. The Board stated that, upon receipt of this information, it would determine whether an adjustment to the deemed income tax allowance for the present rate period is necessary. The Board conditionally approved a deemed income tax allowance for the AltaLink's partners with the exception of OTPPB-TEP Inc. as part of AltaLink's revenue requirement.

While it was not explicitly stated in section 8.1.6 of Decision 2003-061, it was never the Board's intention to deviate from the stand-alone principle it uses to regulate the utilities under its jurisdiction. Indeed, the Board considered that the cautious and measured approach it decided to adopt in reviewing AltaLink's GTA would minimize any risk of this principle being violated.

The Board found the Commentaries filed by AILP and its partners helpful in understanding why the partnership structures were put in place and the different financial benefits that flow to each of the limited partners under such an organizational structure. It was also useful in providing the contextual background for the widely varying capital structures employed by the partners. The Board realizes that Table 4 contains financing information specific to the ALP investment, and that the overall balance sheets of the AILP partners may well deviate from allowed equity ratios. The Board considers that ratepayers must be insulated from any financial risks associated with such deviation and, therefore, the Board must ensure appropriate "ring-fencing" of the regulated assets. The Board notes that AltaLink has stated that its regulated assets are ring-fenced.

The Board's review of this information has confirmed that its conditional treatment of income tax allowance for the "eligible" partners (SNC-Lavalin Transmission LTD., Macquarie Transmission Alberta Ltd., and Trans-Elect) in Decision 2003-061 was reasonable and appropriate.

The Board acknowledges the role of efficient tax planning by the eligible partners whereby income taxes and deductions from various sources are used to offset the deemed tax allowance included in ALP's revenue requirement, and is of the view that such tax planning is consistent with the stand-alone principle on which the Board regulates utility companies under its jurisdiction.

Accordingly, the Board approves, and will use the deemed income tax allowance treatment it determined in Decision 2003-061, for the eligible partners when establishing AltaLink's final transmission tariff s for fiscal years 2002/03 and 2003/04.

The evidence before the Board in the GTA proceeding indicated that, at the time AltaLink filed its GTA, the OTPPB-TEP Inc. partner was a tax-exempt entity. However, by the time the hearing commenced or shortly thereafter, it had been reorganized into a taxable corporate entity. Since the Board received no persuasive reason or evidence for this change of tax status, it was not clear to the Board why this done. More importantly, what was also not clear was the impact of the OTPPB's tax-exempt status on the likelihood of incurring income tax expenses relative to its investment in ALP, notwithstanding the creation of a taxable subsidiary.

The Board formed the view that, in a situation such as the OTPPB where a tax-exempt entity inexplicably creates a taxable subsidiary, it would be reasonable to assume that there is no likelihood of the OTPPB's incurring income tax expenses with respect to its investment in ALP. Hence, customers should not be expected to provide AltaLink with an income tax allowance with respect to the OTPPB's investment in ALP.

With the filing of the owner's capital structure information and Commentaries, the Board now has some understanding of why the OTPPB chose to invest in ALP by way of a taxable subsidiary. However, it is still not completely clear to the Board why the OTPPB would see a need to make such a structural change to its organization for tax planning purpose since it is a tax-exempt entity.

The inability of OTPPB-TEP Inc. to reduce income taxes for its *tax-exempt* parent (which cannot reduce its taxes below the zero level) suggests to the Board that OTPPB-TEP Inc. was created not as a tax-planning vehicle but solely to capture the tax allowance that might flow from ALP's revenue requirement and, thus, enhance the allowed return on its investment in ALP. The Board notes that OTPPB-TEP's capital structure consists of 0% debt, which is consistent with the tax-exempt status of its parent and is perhaps indicative of the OTPPB's lack of interest in tax shelters. The Board considers this to be further indication that the OTPPB's creation of a taxable subsidiary was designed to capture a tax allowance from its investment in ALP, thereby increasing its return on that investment, rather than a tax-saving strategy.

As a general principle, the Board considers that it would not be fair to consumers to grant a deemed income tax allowance in a utility's revenue requirement for owners that have little to benefit from tax planning because of their tax-exempt status. The Board acknowledges that efficient tax planning imperatives can lead to a discrepancy between a utility company and its partners' net tax liability; however, when this happens for a tax-exempt owner such as OTPPB, the tax planning incentives become irrelevant.

Based on the information before it, the Board concludes that the creation of OTPPB-TEP has little tax planning benefit because of the OTPPB's tax-exempt status. Consequently, it would not be fair to consumers to grant a deemed income tax expenses with respect to the income to be allocated to the OTPPB, or its taxable subsidiary, an income tax allowance in ALP's revenue requirement with respect to the OTPPB's investment. Moreover, the Board is still not convinced that there is a reasonable expectation of incurrence of income tax expenses by the OTPPB.

The Board remains of the view expressed in Decision 2003-061 respecting the disallowance of a deemed income tax from ALP's revenue requirement associated with the OTPP's investment in ALP. Accordingly, the Board will not award deemed income tax expenses with respect to the income to be allocated to the OTPPB, or its taxable subsidiary, OTPBB-TEP, when it determines AltaLink's final transmission tariff s for fiscal years 2002-03 and 2003-04.

With respect to the recovery of LCT, in Decision 2003-061, the Board applied the principles used for income tax allowance and conditionally approved LCT recovery for the AltaLink's partners with the exception of OTPPB-TEP Inc. In addition, the Board directed AltaLink to provide the Board with copies of the LCT form, Schedule 33, filed by the three eligible partners with their respective tax returns.

The information and Commentaries filed by AILP and its partners have not changed the Board's views respecting the recovery of LCT. Accordingly, the Board will allow recovery of LCT for all of the eligible partners, but not the OTPPB when determining AltaLink's final transmission tariff s for fiscal years 2002-03 and 2003-04.

5 PROCESS FOR ESTABLISHING A UNIFORM SYSTEM OF ACCOUNTS FOR TRANSMISSION FACILITY OWNERS

In its December 23, 2003 report to the Board, AltaLink advised that the USA working group is considering the following recommendations.

- Each TFO will report consistent fixed asset accounts. The exact accounts have not yet been determined but the following is an example of the accounts being considered:
  - Land
  - Land Rights
  - Substation Equipment
  - Transmission Lines
  - Telecommunication Equipment
  - Vehicles
  - Tools & Equipment
  - General Plant

- Each TFO will report consistent income statement accounts. The exact accounts have not yet been determined but the following is an example of the accounts being considered:
  - Revenue
    - Tariffs (including deferrals)
    - Non Tariffs
  - Operations and Maintenance
  - General and Administration
  - Hearing Costs
  - Insurance (including self-insurance)
  - Taxes Other
  - Depreciation and Amortization
  - Income Tax
  - Return
    - Debt
    - Equity

To reach an agreement on these accounts significantly more work is required from each of the TFOs. The anticipated work will include:

- Agreeing to a methodology required to arrive at opening fixed asset balances for the year in which the USA is instituted. This is required where TFOs current accounts do not conform to the USA.
- Assessing costs, including system implications of moving to a USA.
- Preparing and agreeing to a complete set of definitions for each account to provide clarity and ensure consistency in reporting.

Reaching an agreement will also require involvement from the EUB before a final USA can be approved. Once approved, the implementation of a USA would be on a prospective basis with there being no intent to restate historical filings.

AltaLink submitted that a more detailed approach to implementing a USA is not considered practical, particularly due to the significant differences in the current reporting systems among the TFOs. AltaLink was also of the view that there would be implications relating to the keeping of two sets of records, roll ups of amounts, etc. for TFOs whose parent companies have different information requirements from those information requirements arising from a detailed approach to a USA.

The USA working group considers that the next steps in establishing a TFO USA is as follows:

Table 5. Next Steps in the USA Establishment Process

Agree on fixed asset and income statement accounts to be reported on by all TFOs.
Provide definitions of the types of expenses that roll up into each of the accounts.
Agree to methodology required to move to opening fixed asset balances.
Circulate final proposal to all stakeholders and obtain approval for USA.
Incorporate final proposal agreed to with stakeholders and determine time frame required to make all required system & reporting changes in order to incorporate the USA into regulatory filings on a go forward basis.

AltaLink indicated that a report updating the progress on the steps outlined above would be filed with the EUB by September 30, 2004.

AltaLink submitted that, by implementing the USA outlined and accomplishing this level of consistency, process efficiency for the Board and Interested Parties would be achieved through the improved ability to compare information from year to year and across utilities.

5.1 Views of the Board on Process to Establish a TFO USA

The Board is encouraged to see that progress has been made towards the establishment of a uniform system of accounts for transmission facility owners. The Board maintains that the establishment of a TFO USA has the potential for producing future process efficiencies by allowing the Board and interveners to review a GTA with some measure of comparability of the applied-for cost items with similar expenditures for previous years and as against other TFOs.

Understandably, given the relatively short time frame and the heavy regulatory agenda, the information provided in AltaLink's December 23, 2003 report is of a very general nature and the Board cannot provide much comment at this time. However, the scope and intended activities of the USA working group appear to the Board to be moving in the right direction. The Board notes the fixed asset and income statement account categories provided in the progress report. The Board recognizes that the USA Working Group still have more work to do to determine if accounts at a more detailed level can be set up to enable cost comparisons to be made at the functional level (e.g. lines and substations) or even at the equipment type level (transformers, breakers, etc).

The Board appreciates that much more work needs to be done before a workable USA can be developed and implemented. The Board notes that AltaLink and the USA Work Group plan to file with the EUB an updated status report in September 2004.

The Board directs AltaLink and the USA Working Group to contact staff of its Utilities Branch, no later than April 1, 2004 and on a subsequent frequent basis, to ensure that the final USA will indeed deliver the regulatory process efficiencies contemplated when the Board directed AltaLink to embark on this initiative in Decision 2003-061.

6 ORDER

For and subject to the reasons set out in this Decision, IT IS HEREBY ORDERED THAT:

(1) AltaLink Management Ltd., in its capacity as General Partner of AltaLink. L.P. and TransAlta Utilities Corporation shall make a second Refiling of their 2002/2003 and 2003/2004 General Tariff Refiling Applications to reflect the findings, conclusions and directions in this Decision by February 6, 2004.

(2) TransAlta Utilities Corporation shall also make a second Refiling of its Stub Period Application to reflect the findings, conclusions and directions in this Decision by February 6, 2004.

Dated in Calgary, Alberta on January 27, 2004.

ALBERTA ENERGY AND UTILITIES BOARD

R. G. Lock, P.Eng.
Presiding Member

T. McGee
Member

J. G. Gilmour
Acting Member

APPENDIX 1 - SUMMARY OF REFILING DIRECTIONS IN DECISION 2003-061 RELATED TO TRANSALTA STUB PERIOD AND TRANSALTA'S OCTOBER 19, 2003 REFILING RESPONSES

The following list of Board Directions in Decision 2003-061 related to TransAlta's Stub Period Application is provided for the convenience of the reader.

"Summary of
TransAlta Response t

(consists of 4 pages)

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Summary of TransAlta Stub Period Directions in Decision 2003-061

EUB Direction in Decision 2003-061	TransAlta Refiling Response (Sept 19, 2003)
Charitable Donation as an Operating Expense: 3. The Board considers that charitable donations should not be included in the recorded utility operating costs, as TransAlta has not shown how they contribute to safe, reliable service or just and reasonable rates. Therefore, the Board directs TransAlta, in the Refiling, to remove the amount of $600,000 from the recorded corporate services utility costs.	TransAlta reduced its recorded corporate service operating costs in its Stub Period refiling by $600,000 from $9.8 million to $9.2 million.
Hearing Cost Reserve Account: 4. The Board agrees that the amount of $167,000 is the appropriate portion of revenue collected in the Stub Period for hearing cost funding and directs TransAlta to add this amount to the HCR account in the reconciliation of HCR deficit referenced in Section 4.2.6 above. Section 4.2.6 contained the following additional directions. The Board notes a discrepancy in the amount of HCR deficit reported on April 29, 2002 between the amount shown in Schedule 5.1 and the amount shown in TA.ALP-53. The Board directs TransAlta to determine the correct amount in the Refiling. The Board holds that the amount of $2,647,000 of deficit in the HCR must be borne by the customers. The Board directs that this deficit be written off as an addition to recorded Hearing Cost Funding expense in the Stub Year to be shown in the Refiling.	TransAlta updated the reconciliation of the approved hearing costs that was previously provided to reflect EUB Cost Orders 2002-33, 2002-33a and 2003-066. TransAlta determined that the 2002 closing balance before funding was minus 2,528,051.62. With the Board-approved funding amount of $167,000.00, the 2002 closing balance remaining to be recovered from customers was determined to be minus $2,361,051.62. Therefore, TransAlta deducted $2.4 million from the amount to be paid to the AESO arising from this Refiling. Consequently, the balance in the hearing cost reserve account for approved hearing costs transferred to AltaLink is zero.
Capital Structure, Fair Rate of Return & Debt Cost: 5. The Board directs TransAlta in its Refiling to reflect the preceding determination with respect to rate of return, capital structure and the cost of debt in its Stub Period revenue requirement calculation.	TransAlta incorporated all the capital structure, fair return and debt cost determinations by the Board in its Refiling. For the Stub Period, TransAlta used 9.4% for the cost of equity, 7.27% for the cost of debt and a capital structure comprised of 35% equity and 65% debt. As set out on page 29 of Decision 2003-061, the mid-year rate base for the stub period in the Refiling was $648,400,000.
Benefits Due to Federal Income Tax Rate Reduction from 28% to 21%: 6. The Board therefore directs TransAlta in its Refiling to clearly explain how this reduction was reflected in rates. Failing that the reduction should be reflected in 2002 rates.	TransAlta reiterated that it has not booked or recorded a $3.1 million reduction to the deferred income tax account (to reflect a change in federal income tax rate from 28% to 21% in 2001). Therefore, the benefit of the full, unreduced deferred income tax account remains available to customers to reduce their future rates. TransAlta explained that in its Reply Argument, two continuity schedules of BDIT were provided. The first one was consistent with Decision U99099 and the 2001 Negotiated Settlement and

	showed the recorded drawdowns for 1999, 2000, 2001 and the 2002 Stub Period. It also showed the April 29, 2002 balance of $8.7 million that was transferred to AltaLink. The second BDIT continuity schedule was provided for illustrative purposes to show that accounting for the annual drawdown or build up from the deferred tax account based on actual information and including other changes that reflect new rules after the tariffs were approved, such as the $3.1 million drawdown, resulted in a balance in the deferred tax account similar to the one actually recorded by TransAlta. It included the 1999 and 2000 recorded drawdowns based on forecast and a different treatment of the drawdowns for 2001 and 2002. It also included a $3.1 million adjustment for tax rate changes and 2001 & 2002 Stub Period buildup based on actual temporary differences. The April 29, 2002 BDIT account balance for the alternative scenario was $9.3 million.
Income Tax Expense: **Rainbow Pipeline Adjustments** 7. TransAlta is therefore directed to reflect any [Rainbow pipeline] benefit from its 2000 tax refiling as a benefit to customers. In U99099 the Board directed TransAlta as follows: Beginning in 1999, make the necessary adjustments in respect of its booked and unbooked federal deferred income tax balances to comply with the liability method, that is set out in CICA Handbook section 3465.	As per the year 2000 settlement and the Board direction, customers are to be entitled to any benefit impacting the January 1, 2001 opening deferred income tax balance of higher timing differences resulting from the year 2000 income tax filing. TransAlta's initial Stub Period filing did not include the effect on the deferred income tax balance, and the Board's direction requires this to be addressed. Based on TransAlta's year 2000 income tax filing, the January 1, 2001 opening deferred income tax balance would be increased by $1.2 million as a result of Rainbow Pipeline adjustments. The revised deferred income tax balance incorporating the increase for the year 2000 Rainbow Pipeline benefit of $1.2 million plus a correction related to TransAlta's 2001 March refiling increases the balance transferred to AltaLink from $8.7 million to $11.0 million. Canada Customs and Revenue Agency ("CCRA") has not yet finalized its audit and re-assessment of TransAlta's year 2000 income tax filing. When a year 2000 audit is completed and any re-assessment is received from CCRA, TransAlta will determine the effect on the January 1, 2001 opening deferred tax balance and, if that some or all of the Rainbow Pipeline capital maintenance deductions are not allowed, will reduce the January 1, 2001 opening balance in the deferred tax account accordingly. Any such adjustment in the deferred tax balance will be passed along for the account of AltaLink. TransAlta noted that the January 1, 2001 opening balance in respect of UCC did reflect the treatment of year 2000 capital maintenance costs under the Rainbow Pipeline decision, and requires no further adjustment at this time. In the event that some or all of the year 2000 deductions are not accepted by CCRA, the year 2001 UCC opening balances will be understated, and require upward adjustment. As with any deferred tax balance adjustment, any UCC adjustment will be made and passed along to AltaLink for the benefit of customers through AltaLink's UCC balances.

	TransAlta also noted the possibility that the Rainbow Pipeline benefits credited to customers in respect of 2001 ($4.1 million) and the 2002 Stub Period tariffs ($1.1 million included as part of the tariff refund) may well be reduced or eliminated by CCRA, and would have to be refunded by the AESO to TransAlta in whole or in part at such time in the future as the CCRA provides its assessments in respect of the 2001 year and the Stub Period.
Income Tax Expense: **Filing of 1998 – 2000 Income Returns** 8. At the present time the Board does not know if TransAlta has refiled its tax returns for the 1998 – 2000 tax years. In its refiling TransAlta is directed to inform the Board if it has refiled its tax returns for the years in question and to supply a schedule and process for refunding to customers any year 2000 Rainbow deduction related refund. This is in addition to any refunds for the years 2001 and 2002 which TransAlta has acknowledged should be to the benefit of the customers. The Board also notes that any tax refiling will affect the opening balances of the Capital Cost Allowance pools available to AltaLink.	TransAlta has not refiled its tax returns for 1998 or 1999. CCRA's audit and re-assessment process in respect of TransAlta's year 2000 tax return has not been started. The opening balances of the capital cost allowance pools available to AltaLink are as set out in CAL.TAU-20 and revised for 2001 and 2002 in Exhibit 123. As noted above, they will be adjusted as required upon receipt of a CCRA re-assessment in respect of the year 2000 and forward.
Income Tax: **Filing of CCRA approved CCA Balances with EUB** 9. The Board therefore directs TransAlta to inform AltaLink of the final, CCRA approved balances for CCA purposes as soon as they are available and to file same with the Board.	The final UCC balances as currently being used by TransAlta for the 2002 stub period are as set out in Exhibit 123. They reflect, from and including year 2000 forward, the Rainbow Pipeline capital maintenance deductions as filed with CCRA by TransAlta. As above, they will be amended if as and when such deductions are not fully allowed by CCRA in their assessments in respect of years 2000 and forward.
Income Tax Expense: **Appropriate 2002 Alberta Tax Rate** 10. The Board agrees with FIRM. TransAlta will file only one tax return for 2002 reflecting the results of all its operations. TransAlta is directed to use the rate of 13.125% for Alberta taxes in its Refiling.	TransAlta confirmed that in the Refiling, it used an Alberta income tax rate of 13.125% for 2002.
Operating Expense: **Redeployment of staff time from non-regulated to regulated operations** 11. Further, the Board is not persuaded that redeployment of those staff or the portion of their annual time formerly billable to non-regulated activities was required for ongoing utility services in the Stub Year. Therefore, in the absence of evidence showing that the staff hours required for former non-utility services were redeployed to utility operations, the Board finds that the recorded operating costs for the Stub Period have been over stated. The Board directs TransAlta to reduce its recorded operating expenses by the amount of $300,000 for the Stub Period.	TransAlta confirmed that it increased its miscellaneous revenue for the 2002 stub period by $300,000 and thereby reduced its revenue requirement by the same amount.

Revenue Requirement: **Adjustment to Stub Period schedules based on Board determinations** 12. Therefore, the Board directs TransAlta in the Refiling, to adjust its recorded revenue requirements in the Schedules showing the effects of the Board adjustments determined in the preceding sections.	TransAlta stated that it adjusted its recorded revenue requirements for the Board adjustments in the schedules that were attached to its Refiling.
Withheld Assets: **Recalculation of rates based on Board determinations** 59. The Board instructs TransAlta to re-calculate the rates based on the Decision in its Refiling.	TransAlta provided revised Schedules for the withheld assets revenue requirement for the period May 1, 2002 to April 30, 2003 and for May 1, 2003 to April 30, 2004 that reflected the Board determinations set out in Decision 2003-061with the exception noted below. At page 134 of Decision 2003-061, the Board stated that it had reviewed and had no issues related to the rate base as applied for and therefore approved the rate base of $9.95 million for 2002/2003 and $9.599 million for 2003/2004. These two amounts were included in the September 30, 2002 Application of TransAlta, however; in a December 4, 2002 update they were revised to $10.108 million and $9.914 million respectively. This update was noted in Section 12.2, page 25 of TransAlta's Argument. The December 4, 2002 amounts were used in the Refiling.

APPENDIX 2 - SUMMARY OF REFILING DIRECTIONS IN DECISION 2003-061 RELATED TO ALTALINK AND TRANSALTA 2002-03 AND 2003-04 GENERAL TARIFF APPLICATIONS AND ALTALINK'S OCTOBER 17, 2003 REFILING RESPONSES

The following list of Board Directions in Decision 2003-061 related to AltaLink and TransAlta 2002-03 and 2003-04 GTAs is provided for the convenience of the reader.

"Summary of Board Directions in 2003-06

(consists of 6 pages)

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Summary of AltaLink GTA Directions in Decision 2003-061

EUB Direction in Decision 2003-061	AltaLink Refiling Response (Sept 17, 2003)
Calendar vs. Fiscal Year	
1. The Board therefore directs AltaLink to maintain regulatory records on a calendar year-end basis and to provide with its Refiling, a plan for transitioning from its proposed regulatory year to a calendar year regime for regulatory purposes. The Board would also urge AltaLink to investigate with its owners and with the Canada Customs and Revenue Agency (CCRA) the possibility of changing its financial year-end as well, to reduce costs.	Attachment #1
2. Therefore, the Board directs that AltaLink's partners bear 100% of the cost to effect the change.	Attachment #1
Hearing Cost Reserve ($2,647,000) **Page 14, Section 4.2.6** The Board finds that the customers will have paid the accumulated deficit and the amount of Cost Order 2002-33a in the Stub Period	Summary Financials (Page #1, Note iii & Page #2, Note iv (e))
Stub Period Revenue Requirements **Page 28, Section 4.12.1** Therefore, the Board considers it appropriate to reduce the recorded revenue for TransAlta for the Stub Period by the amount of $458,000 for April 30, 2002, and this amount is to be included in revenue for AltaLink.	Summary Financials (Page #1, Note vii) and Schedule 4.1, Footnote (2)
Rate Base: Opening Balance **Page 30, Section 5.1.4** The Board believes that a $2000 balance for April 30, 2004 is an unreasonable estimate. Therefore, the Board directs AltaLink, in its Refiling, to review and revise its estimate for the April 30, 2004 CWIP and effect the consequential revisions to capital additions in rate base resulting from the revision to CWIP.	Attachment #2
Rate Base: AFUDC 13. Based on the Board's long standing practice in Alberta to calculate AFUDC on a mid-year convention, the Board denies AltaLink's request to change the calculation of AFUDC on a monthly balance basis and directs AltaLink to recalculate the AFUDC on the mid-year basis of year-end CWIP for the 2002/2003 and 2003/2004 test periods.	Summary Financials (Page #2, Note I(a)) and Schedules 6.0 & 6.1

Rate Base: Working Capital Allowance	
14. However, the Board notes that in Section 7.6.1, AltaLink has determined that the expense lag ratio for interest was (9.1)% whereas the WCA for Interest in Schedule 7.1 showed an expense lag ratio of (4.4)%. The Board requires that AltaLink, in its Refiling, to confirm the correct expense lag ratio for interest and recalculate, if necessary, the WCA amount for interest expense.	Summary Financials (Page #2, Note iii) and Schedule 7.1, Line 7
Capital Expenditures: Direct Assigned Projects	
16. Therefore, the Board directs AltaLink to provide, in its Refiling, a comprehensive description of the annual AESO direct-assigned projects deferral account reconciliation process, including a numerical example illustrating how variances from costs shown in Appendix 6, costs associated with a new direct-assigned project, and any unforecasted customer contributions will be used to determine the monthly adjustment that would be applied to the AESO charges for the following fiscal year and thereafter until AltaLink's next GTA.	Attachments #3A & #3B
Operating Costs: Pension	
18. The Board directs AltaLink, in the Refiling, to eliminate the draw down in the DB expense forecast and reduce the drawdown to reflect only the accelerated current test year funding requirement.	Summary Financials (Page #2, Note iv(a) & Page 4, Note ii) and Schedule 5.2
19. The Board directs AltaLink, in the Refiling, to include an amount in the revised estimate of funding for the pension expense for the DC Plan in the test years.	Summary Financials (Page #2, Note iv & Page 4, Note ii) and Schedule 5.2
20. Accordingly, the Board directs AltaLink, in its refiling, to reduce the effect of the additional 2% proposed company contribution for the pension plan and to recalculate the pension expense, pension contributions and pension liability and surplus amounts as well as the consequential effects on operating expenses and capital expenditures resulting from this adjustment. The Board notes that AltaLink is free to maintain the additional 2% contribution through shareholder funding if it so chooses.	Summary Financials (Page #4, Note iia) and Schedule 5.0
Operating Costs: Staffing Level	
21. In view of the reasons above, the Board considers that the requested increases are unjustified in relation to the projected growth and aging of existing facilities. Therefore, the Board requires AltaLink to reduce its revenue requirements for staff from 18 additional FTEs to 9 FTEs in 2003/2003 and from 32 cumulative additional FTEs to 16 FTEs in 2003/2004 using an average cost per FTE of $65,000 per year as being more representative of the estimated average entry costs of trainees. The Board requires AltaLink in its refiling to recalculate amounts for reductions in additional staff and in the revenue requirements, to show the consequential effects on operating expenses, working capital and capital expenditures as may be applicable.	Summary Financials (Page #4, Notes i & v) and Schedule 5.0

Operating Costs: Salaries and Bonuses 22. Therefore, the Board directs AltaLink to adjust the forecast for 2003/2004 gross union labour wages to a 3% increase over the 2002/2003 labour cost. 23. Therefore, the Board directs AltaLink, in its Refiling, to develop the revised 2002/2003 and 2003/2004 gross labour forecasts using the percentages stated above and to provide a description and calculation details showing the methodology and forecast gross costs in their respective union and non-union components for each test year.	Summary Financials (Page #4, Notes i & ia) and Schedule 5.0 Summary Financials (Page #4, Notes i & ia) and Schedule 5.0
Operating Costs: Salaries and Bonuses **Page 52, Section 7.3.5** The Board considers that the expenses related to the portion of benefit gained by the shareholders should not be borne by the customers. Since the Board expects that certain cost reductions in any year will result in permanent cost reductions to the benefit of customers in future years, the Board will allow 50% of the requested $900,000 to be included as utility expense in each test year. The Board directs that this approval is strictly applicable to the current test years and should no be presumed to be approved for continuation beyond April 2004.	Summary Financials (Page #4, Note ii & Page #2, Note iv(b)) and Schedule 5.0
Operating Costs: Salaries and Bonuses **Page 52, Section 7.3.5** The Board believes that adequate utility expenses were provided through the allowance of 50% of the requested non-union incentive plan discussed above. Therefore, the Board considers the Long Term Incentive Plan for executives should not be borne by the customers in any part. The Board denies its inclusion as part of the utility revenue requirement for either test year.	Summary Financials (Page #4, Note ii) and Schedules 5.0 & 5.3
Operating Costs: SIR 26. Given the level of the opening balance in the SIR stated above, the Board considers that the amount of funds required in the revenue requirements to replenish the SIR in the test years should be the same in each test year. The Board directs AltaLink, in the Refiling, to reduce the requested funding of the SIR to the amount of $367,000 in the revenue requirements for the 2002/2003 and 2003/2004 test years for the SIR. In addition, in the Refiling, AltaLink shall show the corresponding effects of this change to no-cost capital and mid-year rate base.	Summary Financials (Page #4, Note vi & Page #2, Note iv(c)) and Schedules 5.0 & 5.4
Operating Costs: IT **Page 60, Section 7.6.4** The Board considers a reduction of $0.3 million for each test year to be justified in these circumstances.	Summary Financials (Page #4, Note iv(a)) and Schedule 5.0

Operating Costs: Contracted Manpower **Page 65, Section 7.8.3** Taking into account the variation in actual expense over the past few years and the increased need to protect the reliability of the system, the Board finds that a reduction of $0.2 million in requested brushing expense for each of the two test years is required. AltaLink is directed in its Refiling, to reflect this reduction of $0.2 million in brushing expense, for each of the test years. The Board acknowledges that the current regulatory workload for all parties appears unceasing. AltaLink's request for two additional staff and contracted personnel with a cost of $0.864 is not unreasonable in terms of the additional regulatory work facing AltaLink during the test period. The Board notes that the time for its next GTA will soon arrive. In the circumstances, the Board approves the addition of two extra internal staff for the test period and a contract manpower budget of $0.5 million for each of the test years. AltaLink is directed to reflect this reduction in contract manpower for the regulatory affairs department in its refiling.	Summary Financials (Page #4, Note iv(b)) and Schedule 5.0 Summary Financials (Page #4, Note iv(c)) and Schedule 5.0
Affiliate Transactions: SNC Lavalin 29. Accordingly, the Board directs AltaLink, in its Refiling, to revise its estimate of capital expenditures to reflect the 2.0 times salary (excluding benefits) multiplier for the work forecast to be assigned to SNC for the test years and to reflect the reduction in the calculations of mid-year rate base and CWIP.	Summary Financials (Page #2, Note i(b)) and Schedule 6.0
Operating Costs: Donations 41. The Board considers that charitable donations are non-utility costs. Therefore, the Board directs AltaLink, in its Refiling, to remove the amount of $70,000 from the revenue requirements in each test year.	Summary Financials (Page 4, Note v) and Schedule 5.0
Income Tax: Income Tax Component of Revenue Requirement **Page 84, Section 8.1.6** On the evidence before it, the Board accepts that the partners are taxable entities in Canada and will assume that there is a reasonable expectation that income taxes in the range approved by the Board will be incurred and paid by the partners with the exception of OTPPB TEP Inc. A deemed income tax allowance for the other three partners is conditionally approved as part of the revenue requirement. AltaLink is directed to calculate the appropriate amount and include it in the Refiling.	Summary Financials (Page #1, Note vi(a) & Page #2, Note iv(d)) and Schedule 4.3, Line 26

Income Tax: Applicability of Large Corporation Tax (LCT) **Page 87, Section 8.2.4** Therefore, subject to the disallowance of OTPPB TEB Inc. portion of this tax allowance request, and the other conditions contained in these findings and elsewhere in this Decision the request for an allowance for Large Corporations Tax is approved.	Summary Financials (Page #1, Note vi(b)) and Schedule 4.3, Line 26
Income Tax: Rainbow Pipeline Tax Issues **Page 89, Section 8.3.4** … the Board directs AltaLink to refile its income tax and CCA continuity schedules to reflect the revised UCC closing balances on April 29, 2002 from the revised schedules to be filed by TransAlta.	Summary Financials (Page #1, Note vi(c)) and Schedule 4.7, Note (1)
Income Tax: Methodology **Page 91, Section 8.4.5** AltaLink is directed to retain the liability method for federal taxes and the flow through method for provincial taxes. This should be reflected in their refiling.	Summary Financials (Page #1, Note vi(d) & Page #2, Note iv(d)) and Schedule 4.3
Cost of Debt 43. The Board notes with approval, AltaLink's proposal to issue two series of senior capital market bonds, and has included the associated yields provided as "placeholders" to be adjusted when the issues are placed. Since these were issued on June 5, 2003 the Board directs AltaLink to use the actual rates for calculating the cost of debt to be used for the determination of AltaLink's revenue requirement for the test years 2002/2003 and 2003/2004. 44. In its Refiling, the Board directs AltaLink to provide the actual interest rate for the refinancing of the Series 2 Bridge Bonds. At that time, the Board will assess whether it is reasonable or not. 45. Related to approval for AltaLink to increase its Senior Capital Market Bonds Financing, the Board directs AltaLink to provide a forecast interest rate for the Senior Capital Market Bonds still to be issued, for the period January 1, 2004 to April 30, 2004, and use it to compute the embedded cost of debt for the 2003/2004 test year, at the time of its Refiling. 46. In conclusion, the Board directs AltaLink to provide updated schedules to reflect the foregoing determinations with respect to AltaLink's embedded cost of debt for the test years 2002/2003 and 2003/2004 in its Refiling	Summary Financials (Page #3, Note iii) and Schedule 8.2 Summary Financials (Page #3, Note iii) and Schedule 8.2 Summary Financials (Page #3, Note iii) and Schedule 8.2 Summary Financials (Page #3, Note iii) and Schedule 8.2
Capital Structure 47. Accordingly, the Board directs AltaLink to use a capital structure consisting of a 34% common equity ratio and a 66% debt ratio in its Refiling to determine its revenue requirement for the 2002/2003 and 2003/2004 test years.	Summary Financials (Page #3, Note i) and Schedule 8.0

Fair Equity Rate of Return **Page 117, Section 11.4.5** Accordingly, the Board approves a fair equity rate of return of 9.4% for AltaLink.	Summary Financials (Page #3, Note ii) and Schedule 8.0
Depreciation Expenses: Net Salvage Rates 52. The Board directs AltaLink to recalculate its forecast of depreciation expense using 2% inflation in its Refiling. 53. The Board notes the error in Exhibit 4.1 Table 3 wherein the composite remaining life for accounts 1600 and 1700 were incorrectly transposed from Table 4. The Board directs AltaLink to recalculate Table 3, using the correct remaining life projections in the refiling. 54. Due to the effect of the inflation factor in the calculation of future salvage requirement and future salvage rates, the Board directs AltaLink, in the Refiling, to recalculate the net future salvage percentages using the CDNS methodology with a 2.0% for future inflation. Further, the Board directs AltaLink to correct the average remaining lives to the forecast of composite remaining life shown on Table 3 Column 7 in the Refiling.	Summary Financials (Page #1, Note v & Page #2, Note ii) and Schedules 7.4 & 7.5 Summary Financials (Page #1, Note v & Page #2, Note ii) and Schedules 7.4 & 7.5 Summary Financials (Page #1, Note v & Page #2, Note ii) and Schedules 7.4 & 7.5
TFO T&Cs: Proposed changes to Schedule F of AltaLink's Terms & Conditions (T & Cs) 58. Accordingly, the Board directs AltaLink to incorporate the proposed changes to Schedule F into its Terms and Conditions and to file the amended T & Cs for approval in its Refiling.	T&Cs Section

APPENDIX 3 - SUMMARY OF DIRECTIONS, KEY FINDINGS, AND APPROVALS

This section is provided for the convenience of readers. In the event of any difference between the Directions in this section and those in the main body of the report, the wording in the main body of the Decision shall prevail.

Summary of Directions

1. The Board therefore directs TransAlta to refund that portion of the Deferred Income Tax balance related to the reduction in federal income tax rates. The Board also directs TransAlta to supply a schedule illustrating the calculation of the refund so made to the AESO. TransAlta should also change the balance in its deferred tax account accordingly..... 7
2. The Board directs TransAlta to reflect the consequential changes to all schedules in its second Refiling, including income tax expenses that may be affected by the higher deferred tax account balance of $11.0 million. 8
3. Therefore, the Board finds that TransAlta has not complied with the Board's direction on the recording of hearing cost funding expenses and directs TransAlta to file revised Schedules 4.0 and 5.1 of its Stub Period Application. 9
4. Accordingly, the Board directs AltaLink, in its second Refiling, to revise its estimate for the 2003/2004 year-end CWIP showing the amount of $5.0 million and to reflect the consequential changes to all schedules including in capital additions to rate base, AFUDC, CCA schedules and income taxes that may be affected by this revision..... 16
5. The Board directs AltaLink and the USA Working Group to contact staff of its Utilities Branch, no later than April 1, 2004 and on a subsequent frequent basis, to ensure that the final USA will indeed deliver the regulatory process efficiencies contemplated when the Board directed AltaLink to embark on this initiative in Decision 2003-061..... 27

Summary of Approvals, Key Findings, and Conclusions

This section is provided for the convenience of readers. In the event of any difference between the Approvals, Key Findings, or Conclusions in this section and those in the main body of the report, the wording in the main body of the Decision shall prevail.

1. The Board agrees with TransAlta that the amount of adjustment for AFUDC that would result from the change in the rate of return on rate base is in the order of $40,000 reduction, and that this amount would have an insignificant effect on the revenue requirement for the Stub Period. Therefore, the Board considers that, due to insignificance, it is not necessary to adjust the Refiling for the effect of changes in rate of return on rate base and the resultant reduction in AFUDC..... 3
2. Therefore, the Board considers that, due to insignificance, it is not necessary to adjust TransAlta's Stub Period Refiling for the effect of changes in rate base for the change in the ending balance of Hearing Cost Reserve..... 4
3. With respect to Calgary's other concerns the Board notes the adjustments TransAlta has referenced in Exhibits 92 and 123 and accepts them as correct. The Board therefore accepts TransAlta's adjusted closing balance as at April 29, 2002 as $11.0 million, prior to the adjustment related to the reduction in federal income tax rates..... 7

4. The Board recognizes that the amounts actually incurred to meet future income tax liabilities may be different than the forecast amounts that TransAlta used when it calculated the balance to be transferred to AltaLink. The Board considers that any difference between actual and forecast amounts is a matter that is best handled through post-closing adjustments in the Purchase and Sale Agreement between TransAlta and AltaLink. 8

5. The Board understands that a revision to Schedule 7.2 would be necessary for reflecting the changes to Schedules 4.0 and 5.1 of TransAlta's Stub Period Application. However, the Board has determined that the effect on no-cost capital and the resultant change in revenue requirements is insignificant and therefore, no revision to Schedule 7.1 of TransAlta's Stub Period Application is required. 10

6. Accordingly, the Board finds that TransAlta has complied with the uncontested Directions. 11

7. The Board finds that TransAlta has not fully complied with the Board's directions in Decision 2003-061 and, consequently, the Board is unable to finalize TransAlta's Stub Period revenue requirement at this time. The Board considers that a second Stub Period Refiling to reflect the Board's findings and conclusions in this Decision is necessary and will so order 11

8. Therefore, the Board will not require AltaLink to have available for examination at its next GTA monthly "actual" data for 2002/2003 and part of the 2003/2004 for the period that actual data is available. The Board expects AltaLink to report its financial performance to the Board as required in the EUA for the test years 2002/2003 and 2003/2004. Furthermore, the Board expects that AltaLink will record and report its financial performance for the stub period May 1 to December 31, 2004. 14

9. The Board has reviewed the revised Revenue Requirement Schedule 4.1 (and by inference Miscellaneous Revenue Schedule 4.2) submitted by AltaLink on November 7, 2003, and is satisfied that AltaLink is now in compliance with its Direction respecting the treatment of the April 30, 2002 revenues that AltaLink received from TransAlta. 15

10. Therefore, the Board believes that the amount of $5.0 million ($8.5 million less $3.5 million) represents a more reasonable estimate than AltaLink's zero forecast of CWIP for the end of the fiscal year 2003/2004. In arriving at this conclusion, the Board notes its reliance upon AltaLink's estimate for the forecast CWIP on April 30, 2003 and, in addition, gives weight to AltaLink's resolve to complete its capital projects for year-end 2003/2004. The credibility of these estimates will be measured against the actual results when AltaLink files its report on operations for the test years. 16

11. The Board finds that AltaLink has complied with its Direction regarding the expense lag ratio for interest. 17

12. Based on its review of Attachments 3A and 3B of the Refiling and AltaLink's further revision and clarification, the Board is satisfied that AltaLink has complied with its Direction related to the AESO-direct assigned projects deferral account process. 18

13. The Board accepts AltaLink's reduction to the pension contribution in the amount of $0.3 million in each year as a reasonable amount for the directive to reduce from 10% to 8% the proposed company contribution to the pension plan. Therefore, the Board considers that AltaLink has complied with Directive # 20. 19

14. Furthermore, the Board accepts AltaLink's proposed treatment of the $1.4 million returned form SNC to AltaLink pension as a Pension Liability and being considered as no-cost capital.

Therefore, the Board considers that AltaLink has complied with the Board's directives related to pension adjustments. 19

15. The Board confirms that its Direction respecting operating staff level required AltaLink to reduce labour expense by $65,000 per FTE reduced. Furthermore, the Board considers that AltaLink's adjustment to its operating costs with respect to this Direction is appropriate. ... 20

16. The Board has reviewed AltaLink's proposed reduction in forecast direct assign project costs to account for the reduction in SNC labor charge multiplier. The Board is satisfied that reduced amounts for SNC labor component in the direct assigned projects, shown as $1.4 million for 2002/2003 and $0.9 million for 2003/2004 test years are reasonable. Therefore, the Board considers that AltaLink has complied with its direction respecting the SNC labour charge multiplier. 20

17. Accordingly, the Board finds that AltaLink has complied with the uncontested Directions. 22

18. The Board finds that AltaLink has not fully complied its directions in Decision 2003-061 and, consequently, the Board is unable to finalize AltaLink's revenue requirement for fiscal years 2002-03 and 2003-04 at this time. The Board considers that a second refiling to reflect the Board's findings and conclusions in this Decision is necessary and will so order. 22

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